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EVALUATION OF THE BOT PROGRAM

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LIST OF ABBREVIATIONS USED

ACM	Avoided Cost Methodology
AMP	Advanced Management Program
BOI	Board of Investments
BOO	Build - Own - and - Operate
BOT	Build - Operate - Transfer
BOTC	Build - Operate -Transfer Center
CCPAP	Coordinating Council of the Philippine Assistance Program
GDP	Gross Domestic Product
GOP	Government of Philippines
IA	Implementing Agency
ICC	Investment Coordinating Council
IFC	International Finance Corporation
IPP	Independent Power Producer
IRR	Implementing Rules and Regulations
LGU	Local Government Unit
LWUA	Local Water Utility Association
M&O	Maintenance and Operation
MWSS	Metropolitan Waterworks and Sewerage System
NEDA	National Economic and Development Authority
NPC	National Power Corporation
NPV	Net Present Value
P	Pesos
PAP	Philippines Assistance Program
PAPS	Philippines Assistance Program Support
PIC	Private Investment Center
PW	Price Waterhouse
SWC	Solid Waste Collection
SWD	Solid Waste Disposal
SWM	Solid Waste Management
SWT	Solid Waste Transfer
TA	Technical Assistance
WWT	Wastewater Treatment

EXECUTIVE SUMMARY

This report is an evaluation of the Build-Operate-Transfer (BOT) program in the Republic of the Philippines. The evaluation covered the activities of the Program since 1994, when the BOT Center was established. A three-person team, contracted by USAID/Philippines through the International Science and Technology Institute (ISTI) Inc., conducted the evaluation in June/July 1997.

The evaluation focused on the following issues to identify successes and constraints, and to provide recommendation or options for future improvement, new directions, expansion, or phase-out:

- Effectiveness of the BOTC in promoting public/private partnerships for infrastructure;
- Effectiveness of USAID-financed technical assistance to the BOT program;
- Acceleration of BOT projects in local environmental infrastructure sectors;
- Expansion of the BOT program into other areas; and
- A regional BOTC for Asian countries.

The evaluation of the effectiveness of the BOT program, the BOTC, and the BOT process in stimulating private investment in infrastructure projects indicates that this effort has been reasonably successful.

BOT Program in the Philippines

The United States initiated the Philippines Assistance Program (PAP), a multilateral assistance program to encourage development via public-private partnership. In 1989, the Government of the Philippines created the Coordinating Council of the Philippines Assistance Program (CCPAP) to facilitate mobilization and administration of funds generated by PAP and to ensure implementation of this program. The original BOT law was designed to stimulate private investment in the electric power sector.

The mandate of the BOT Center as a distinct government unit responsible directly to the Office of the President was established in September 1993 and later expanded in 1994 when the original BOT law was amended in response to the power crises in the late 1980s and early 1990s.

USAID's initiative was launched in 1990 with assistance through Philippines Assistance Program Support (PAPS). In June 1992, USAID awarded a contract (BOT I) to Price Waterhouse (PW) to provide technical assistance to the CCPAP. The successive contract (BOT II) was awarded to PW in February 1996 to address impediments still besetting the program.

Since 1990, 47 projects have been completed, implemented, or awarded to private companies under the BOT program; 14 are currently within the bidding process; and 26 are being prepared for competitive bidding or for negotiation as unsolicited proposals. The majority of the 47 completed projects are in the electric power sector, while all except two of the 26 projects that are being negotiated or prepared for bidding are in non-power sectors (expressways, water, solid waste, public markets, slaughterhouse, office building, and bus terminal).

1. Effectiveness of the BOT Center

The BOT Center was established in 1994 to promote and coordinate the BOT program, with the objective of developing the public-private partnership for infrastructure projects. The BOT Center has been able to achieve this goal by effectively discharging its scarce resources to the following tasks:

- Promotion directed toward Implementing Agencies (IAs) and Local Government Units (LGUs) to accept private investment in public infrastructure projects;

- Assistance to IAs and LGUs in identifying local projects suitable for the BOT program and in preparing such projects for approval by the Investment Coordinating Committee (ICC) to be included in the BOT program;

- Training of personnel in IAs and LGUs to manage all phases of the BOT process;

- Technical assistance in developing bid packages, evaluating responses to bid offers, and selection of winning bids;

- Acting as intermediary between the private sector and the BOT project development agencies; and

- Providing information to the private sector about the BOT program and process.

Among BOTC's achievements are its training for IAs and LGUs to manage BOT projects; advice and assistance to develop and execute bids and evaluate bid responses from private investors. The BOT Center has taken some promotional steps, such as organizing and participating in road shows abroad, to attract U.S. and other foreign investors. The Center has also filled an important gap by acting as a useful information source for private companies on government contacts and agencies that are involved in the approval process.

1.1 Constraints

Nevertheless, the team identified several constraints that reduced the BOT program's effectiveness in realizing its mission. First, a number of constraints have slowed down the BOT process for some projects and even discouraged some private companies to respond to competitive bid offers. Private sector sources have indicated that local politics have at times obstructed a BOT project and that there has been a lack of consistency in the BOT process in some of these cases. Insufficient time to prepare bids, vagueness of some bid terms, or poor construction of bids have also been mentioned as constraints for U.S. and other foreign parent companies that have an involved process of budgeting and management approval for important investments by their subsidiaries abroad.

BOTC's promotional role has not been as aggressive as investment promotion agencies in many other development countries. This could be due to other agencies such as the Board of Investments (BOI) having the prime responsibility for attracting foreign investment in general; lack of staff at BOTC experienced in publicity, public relations, and foreign promotion; and inadequate funding for effective promotion abroad.

1.2 Recommendations

The team identified three broad recommendations that would help extend and expand BOT Center's role in enhancing public-private partnership in infrastructure projects.

1.2.1 Policy Advocacy Role

It is recommended that the BOTC expand its advocacy and promotional role aimed at removing remaining or future constraints to the acceleration of private investment in the infrastructure projects by:

- Strengthening domestic support for the BOT program among non-governmental organizations and other political groups as well as among the public to forestall potential opposition from special interest groups;

- Passing on effectively feedback from private investors for removal of remaining legal and regulatory constraints and discrimination inhibiting private investment in infrastructure projects; and

- Informing appropriate Philippine policy makers about new and diverse regulatory, legal, and policy approaches taken by other developing countries to attract private investment in infrastructure sectors. Commercial attaches at Philippine embassies could assist in such an ongoing informational effort.

1.2.2 Improving the BOT Process

The BOTC should be more assertive and willing to execute more authority to overcome local politics and issues related to transparency or consistency of approach in the BOT bidding process.

1.2.3 Expand the Promotional Effort

The Center should take a more pro-active role in promotional efforts targeted to attract domestic and foreign private investors who are capable of implementing new projects effectively at low costs. For example, the BOT Center could set up booths advertizing their needs and displaying their proposals for new projects in the United States before the Water Environmental Federation or the American Water Works Association meetings. The Center can also utilize the resources at the Philippine embassies to reach private sector groups in different countries.

In addition, a small expansion of staff or restructuring of staff functions at the Center would be necessary. A decision on this aspect will, of course, depend on a fundamental decision whether to expand the life of the BOTC under CCPAP as a separate government agency beyond its mandated limit to the year 2000; or whether to fold its functions into a Private Investment Center, or within the existing Board of Investments (BOI), which currently has responsibility for overall private investment promotion. The management of the BOTC is confident that the life of the Center will be extended beyond year 2000, given the fact that the BOT concept as a basic strategy for infrastructure development has been included in the Government's Medium-Term Philippine Development Plan.

2. Effectiveness of USAID Technical Assistance

A review of USAID-financed technical assistance, provided by Price Waterhouse to the BOTC and to the BOT program, indicates that the contractor is meeting task requirements. The emphasis of this technical assistance was directed where it was most needed, namely in training the personnel of the BOTC, the IAs, and the LGUs. Price Waterhouse, jointly with BOTC personnel, has provided excellent training brochures and helped organize thorough, ongoing training programs on all elements of the BOT process for IA and LGU personnel. In fact, both Price Waterhouse and BOTC personnel work closely in organizing and conducting many training sessions. Altogether 80 training programs have been conducted for 4,718 participants in more than 20 locations throughout the country as of June 1997. A measure of this success is the fact that 94 proposals for BOT projects have been submitted by participants to their attendance in these training programs.

Price Waterhouse has also performed its other contractual tasks, namely:

- Assisting with the identification and development of potential new BOT projects;
- Assisting in promoting and marketing the BOT program; and
- Proposing ways to improve the administrative, legal, and regulatory framework for implementing BOT projects.

2.1 Constraints

The strong participatory and joint role Price Waterhouse has assumed in the BOTC activities prevents a clear picture for evaluating the ability of BOTC staff to stand alone in performing its tasks. After three years of training and joint operations, Price Waterhouse has begun to confine its assistance to the priority area of water and other environmental infrastructure projects.

2.2 Recommendations

It is recommended that Price Waterhouse reduce its strong involvement in training and in the other areas listed above and continue only to provide technical assistance and training in areas new to the BOTC relating to new techniques, and analysis and monitoring of project benefits and performance.

3. Acceleration of BOT Projects

The BOT program achieved early visible success by facilitating private, including U.S., investment in the electric power generating sector. Private investors and long-term private lenders strongly responded to a government package of guarantees, incentives, and protection against inflation and exchange risk that provided appropriate comfort and attractive rates of return. No such comparable success has been achieved by the BOT program in other sectors. The BOT program has been operating for more than six years. Three years have elapsed since making the BOT Law more flexible, since the creation of the BOTC, and since the decision to emphasize BOT projects in environmental infrastructure. Only very recently have projects in non-power sectors been completed or awarded. And some projects like the MWSS's two 25-year concessions, are being implemented outside of BOT law.

3.1 Constraints

Among the reasons for lack of progress are:

- The nature and characteristics of environmental infrastructure projects;
- Inefficiencies and political obstacles among LGUs in charge of such projects; and
- A law and government policy preventing extensive government cost and risk sharing in LGU infrastructure projects.

These types of constraints will continue to stymie efforts to accelerate the pace of BOT projects in environmental infrastructure areas. Many projects are only marginally or sub-marginally financially viable, and the private sector will need some form of government support, temporary in some cases, permanent in others, to raise the project viability to acceptable levels. Yet LGUs often do not have an established credit rating. They should also be encouraged to introduce or to raise fee collection for water and solid waste in order to raise the financial viability of future BOT projects in these areas. The Government of the Philippines can probably assist LGUs to reform their municipal finances with a view toward improving their credit standing. Even in the face of government budgetary constraints, it is recommended that infrastructure projects should be considered for some forms of national government cost and risk sharing, if they:

- Offer a high social rate of return; and
- Will generate significant government budgetary savings or revenue if implemented by the private sector.

3.2 Recommendations

Some forms of government cost and risk sharing for LGU projects may require a modification in the Foreign Borrowing Act (Republic Act No. 4860) which allows certain government guarantees only for national projects, not LGU projects.

Discrimination against foreign investors exist, and the BOTC could advocate terminating discriminating regulations or practices that might discourage some foreign companies whose global policy is the freedom to own up to 100 percent of the projects they operate. While the Government is gradually liberalizing key aspects of its private investment policies, foreign investment is still barred from some sectors or relegated to a minority position in some others, such as utilities operating under franchise. However, U.S. companies have encountered a *level playing* field when bidding BOT projects. U.S. exporters of machinery and equipment have benefitted from an expanding market for their products in electric power and other sectors.

4. Expansion of the BOT Program

The BOT program proved highly successful in attracting private investment to the power sector and thereby ending recurring severe power shortages. Subsequently the emphasis of BOT projects was shifted to road and mass transit development and then to water and other environmental

infrastructure projects. Various problems have arisen in developing and concluding in these latter projects, thus delaying the program. Projects in these sectors will require continued problem resolution and full attention by BOTC personnel to accelerate development of BOT projects in environmental infrastructure by LGUs. The management of the BOTC is aware of these problems and is taking steps to accelerate development of these projects. A review indicates that more projects will likely be concluded during the next two years.

The BOT activities in the electric power sector, necessitated by major power crises in late 1980s and early 1990s, have been highly successful due to a comprehensive policy framework. As of June 1997, 27 power projects have been complete with Independent Power Producers (IPPs) that account for 4,800 MW or 46 percent of the total rated capacity and over 43 percent of the total dependable capacity in the Philippines. Future BOT activities in the electric power sector can be largely reduced, particularly after the National Power Corporation is privatized. However, incentives and support to private investment may continue to be needed.

Projects in the road sector will probably be undertaken increasingly outside the BOT program, based on renewable concession contracts and other forms. A number of current road projects under the BOT program are unsolicited proposals from private investors because these projects are not on the government's priority list.

It is recommended that the BOT program be expanded in other infrastructure sectors such as airports and seaports where the BOT principle has become well accepted in other countries by private investors. Latin American countries, in particular, have been successful in attracting large foreign investments and major foreign operators of new container terminals as well as modernizing, making more cost-effective operations of existing port installations.

An important beginning was made this year in the airport sector with the award for a new $500 million international airport terminal under the BOT program. Also awarded to private investors were one BOT mass rail transit and three toll-road projects. In the seaport sector little progress is noted for private company involvements. Some sources point to the need to raise subsidized port charges to competitive levels and to some reluctance on the part of the National Port Authority to fully open the sector to private investors and operators under BOT formulas. Ultimately, a high level decision may be needed to break the apparent deadlock.

The BOT activities in the areas of environmental infrastructure: water, waste water, and solid waste management are of recent origin. As of mid-1997, BOTC has only five active projects in the water sector, a modest beginning in light of the serious problems faced by the Philippines in water supply and water pollution. A significant reason could be that Local Water Utilities Administration (LWUA), a specialized lending institution for promotion, development and financing of local water utilities, is independent from the BOTC and privatization in general due to external financing such as low-cost World Bank loans. Also, the water projects are more difficult to arrange and implement than other infrastructure projects, such as power, due to institutional and economic features that hinder achieving economic feasibility and proper risk allocation.

4.1 Recommendations

The team recommend that the BOTC should expand its "tool kit" to include all forms of privatization in water and wastewater management, not just those based on the BOT law; consider developing a public relations and information capability to gain public support for privatization; and encourage amendments to law to allow LGUs in entering into maintenance and operation contracts for water or wastewater with any qualified private entity.

Similar to water and waste water sectors, only five solid waste management projects are in BOTC's portfolio as of mid-1997. Competitive contracting is the common privatization approach for solid waste services. Unlike other environmental infrastructure services, solid waste must be collected and disposed of at collective expense, whether individuals wish to pay or not. The team recommend that BOTC become more familiar with solid waste privatization in other similar countries, and encourage LGUs to adopt necessary local ordinances to better solid waste management.

It is recommended that the BOT program concentrate on infrastructure projects, including such municipal services as water distribution and solid waste disposal, but not be expanded into non-infrastructure sectors, as is currently planned, such as hotels, office buildings, slaughterhouses, or market facilities. These areas are being fully privatized in more and more developing countries, because the private sector is quite willing to make investments in these sectors on a competitive basis without direct government involvement, subsidies, or guarantees. These privileges, including freedom from income tax granted to government-supported private investors in slaughterhouses and food markets, would create a competitively uneven *playing field* discouraging other private investors interested in these areas, because they would not receive equally privileged treatment from the government. Placing a multitude of small projects in such diverse service sectors under the BOT program would scatter the scarce resources of the BOTC into projects the private sector is willing to undertake without government involvement and divert BOTC personnel from the more important, difficult tasks of promoting and accelerating BOT projects in the transportation and environmental infrastructure sectors. It should be accepted, however, that there are different views from the one expressed above. It can be argued that private investment under a BOT program in food markets and slaughterhouse is a first step toward eventual full privatization and, therefore, deserves to be supported.

The future role of the BOT program should be incorporated into the national objectives of economic reforms aimed at establishing a competitive free market economy. The future direction of the BOT program should be aligned with a clear infrastructure privatization strategy, which still needs to be worked out in more detail than the Philippines Infrastructure Privatization Program. Detailed proposals on this important issue are beyond the scope of this report, but may warrant a separate study and a set of policy proposals that could be useful for the government in adopting a clear strategy.

5. A Regional BOTC

Several options can be considered for the role of the BOTC to be expanded to serve other Asian countries:

- Providing training and technical assistance on demand from other countries;

- Assistance in promoting and attracting private investment in infrastructure projects in other Asian countries; and

- Converting to a true regional BOTC staffed and maintained by member Asian countries and providing services to all member countries on a non-preferential, non-discriminatory basis.

It is not clear what the Philippines has to gain from aiding competitor countries for private investment in infrastructure. It is also not clear that broader Philippine assistance would prove acceptable to other countries or that they wish to cooperate rather than compete in the area of investment promotion. If a decision is made to proceed, however, then it is recommended that only training and technical assistance be provided on demand to other countries.

6. Recommendations for Further Studies

This evaluation points to the need for closer study and further exploration of some issues. The apparent success of BOT for power projects needs to be carefully assessed and put into perspective. The power crisis seems to have been an important factor in promoting BOT projects in that sector. The acute power shortages of the late 1980s were seen by the leadership and policy makers to be causing serious economic damage and the situation was considered to be a national crisis. The political leadership and the policy making apparatus were galvanized to address the situation. Other sectors such as transport, water supply and waste disposal may be facing serious challenges and needing urgent infrastructure development. The relatively poor utility and related services at the local government level are likely to hamper economic growth and development in those areas. These different initial conditions promote different levels of urgency and efficiency in addressing the needs of the respective sectors. Meanwhile, the economic and financial underpinning of the sectors that the BOT program is addressing may be influencing the pace and efficiency of implementing these projects. The political will and the support of the bureaucracy for BOT projects may be different in the various sectors. Some of these non financial and non directly economic factors may bear closer scrutiny so that appropriate action can be taken in the future.

The capital markets may not be capable of supporting private quoted debt at present. The potential market for municipal and corporate debt in the medium term needs to be examined. Such a market can have an important impact on the level and type of participation by LGUs in infrastructure projects. Further study may also be needed to determine if an initiating process to build LGU private-sector partnerships for BOT activity is necessary.

BOT projects will have to face other factors such as political opposition, perceived social costs for vulnerable groups displaced by projects, and land tenure for foreign companies. Some of these issues will be obstacles to developing and implementing projects well suited for BOT and needed for the economic well-being of sectors and regions. Advocacy programs of the BOTC can promote informed discussion and address possible ways of compensating and assisting groups that may be initially worse off due to the projects. Case studies can help to identify the specific contentious issues related to sectors that may lend themselves to BOT. Further study is needed to determine the possibility of developing case material from the experience of the BOTC.

SECTION I. INTRODUCTION

A. Background

USAID has been supporting the policies of the Government of the Philippines to open the development of infrastructure sectors to domestic and foreign private investment. As a first step, in 1989, the government created the Coordinating Council of the Philippine Assistance Program (CCPAP), a public agency attached to the Office of the President of the Republic. The CCPAP was designed to facilitate mobilization and administration of funds generated by the Philippine Assistance Program (PAP) and to ensure successful implementation of this program in stimulating economic development.

A USAID-funded study to develop a private electric power model for the National Power Corporation in 1990 led to the enactment of an improved, more liberal BOT law in 1994, which is now the prime regulatory framework for implementing BOT projects in infrastructure sectors in the Philippines. The BOT Center was created by the President of the Philippines within CCPAP in September 1993 to promote domestic and foreign private investment in infrastructure projects within the BOT program, based on the positive experience in the electric power sector. USAID has provided strong support to the BOT Center (BOTC) since its inception in 1994 via two technical assistance contracts (BOT I & II) with Price Waterhouse. The present contract (BOT II) ends in February 1998. The life of the BOT Center is mandated to end in the year 2000.

B. Scope of Work

USAID has contracted the advisory services of the International Science and Technology Institute, Inc. (ISTI) to evaluate the effectiveness of the BOT Center and USAID Technical Assistance to the Center under the Technical Assistance for Macro and International Economic Analysis Indefinite Quantity Contract, Delivery Order #802, USAID Project #AEP-4212-I-00-6027-00, ISTI Project #2352-003.

The delivery order calls for evaluation and recommendations relating to:

- Effectiveness of the BOTC in promoting public-private partnerships for infrastructure projects;
- Effectiveness of USAID-financed technical assistance in meeting contract objectives and targets;
- Adequacy of resources, including financial, in promoting government infrastructure projects;
- Expansion of the BOT program to other sectors; and
- Expansion of the BOTC to serve other Asian countries.

The evaluation was conducted by three consultants provided by ISTI: Siegfried Marks, team leader and energy and transportation expert; Thomas Nein, finance and privatization expert; and E. S. Savas, local environmental infrastructure expert. All team members have USAID project experience

relating to privatization and regulatory reform. Further details of their expertise and experience are summarized in Appendix B.

C. Methodology

Information relevant to this analysis was collected during the consultant's visit to Manila, from June 23 to July 17, 1997. A wide array of published documents (listed in Appendix D) such as performance reports, training manuals, project descriptions and appraisals, were consulted to obtain information about laws and regulations, promotional efforts, and USAID's technical assistance program.

Several extensive working sessions were held with personnel of the BOTC and Price Waterhouse, the USAID technical assistance contractor. These working sessions yielded detailed information about the institutional set-up of the BOT program, staffing and responsibilities of personnel at the BOTC, the training and promotional program, and the role of the BOTC in the bidding process. Case examples documenting the success and weaknesses of the program and the Center were also identified. The BOTC was very helpful in providing and developing additional information and data required for the analysis in this report.

The BOTC also organized daily appointments for the consultants with outside contacts (listed in Appendix C) who were highly relevant to the evaluation of the BOTC and program. The consultants prepared in advance a list of specific questions geared to the respective position and involvement of each contact with the BOT program and Center. A wealth of useful information, assessments, and even recommendations were obtained by this method. The team used also held discussions with BOTC personnel to arrive at evaluations and recommendations presented in this report.

SECTION II. EFFECTIVENESS OF THE BOT PROGRAM IN THE PHILIPPINES

A. Evaluation

1. Infrastructure Investment Requirements

According to government estimates, $40 to $50 billion, or the equivalent of 6.5 to 7.0 percent of GDP, will need to be spent on infrastructure projects during the next ten years. An estimated backlog of P139.4 billion (US$5.4 billion) has triggered currently planned and programmed infrastructure projects equivalent to 5.5 percent of GDP. According to World Bank estimates, the Philippines will have annual requirements for capital investment in infrastructure equivalent to an average 6.8 percent of GDP, divided roughly as follows:

Energy	2.8 percent
Transportation	2.6 percent
Telecommunications	1.0 percent
Water and Sanitation	0.4 percent

The telecommunications sector has been opened to private investment and companies have responded to privatization, licensing, and concessions.

The energy sector consists largely of the petroleum sector and the electric power sector. In the electric power sector, an end to the state monopoly in power generation triggered a surge in private investment in electric power plants, partly stimulated by government guarantees and incentives under the BOT program providing comfort to private providers of long-term project loans and ensuring an acceptable rate of return to investors. At the retail level, private and cooperative electric utilities are required to have a minimum 60 percent Filipino equity. The state-owned National Power Corporation is soon to be privatized.

Transportation sector includes seaports, airports, urban mass transit, express highways and secondary roads. While most port services such as stevedoring and shipping agencies are private, the state Port Authority owns all port infrastructure, including container terminals. Low port charges have provided a subsidy to port users, particularly in domestic, inter-island transport, but have failed to generate sufficient revenue to undertake needed capacity expansion, modernization, maintenance, and replacement of equipment and port installations. Private investors may not be interested in undertaking major investments unless revenues from container terminals and other operations provide an acceptable rate of return. The best near-term prospects are probably in investments in constructing single commodity ports for shipment of petroleum, wheat, and similar bulk commodities, where investments might be negotiable under the BOO (Build-Own-and Operate) concept and special tariffs and taxes would prevail. In the airport sector, a solid beginning was made this year with an award of the $500 million BOT project for a new international air terminal.

Highways and light rail urban mass transport are open to domestic and foreign private investors under the BOT concept, joint ventures with state agencies, or some other form of longer term concession. Government promotion and investor interest has resulted in three project awards under the BOT program, and several more unsolicited proposals are currently under negotiation.

Opportunities for private investment in municipal water projects, sewerage, and solid waste collection and treatment are now emerging within and outside the BOT Law. In these sectors, as well as in the transportation sector, the dominant problem will be how to make projects financially viable for the private sector and how to offer acceptable guarantees for the comfort of private long-term lenders that the government is willing to shoulder.

2. Status of Private Infrastructure Investment under the BOT Program

Under the BOT Law, which specifically encourages private investment in infrastructure projects, 47 projects have been completed or awarded since its inception in 1990, 14 projects are at various stages in the bidding process, while 26 projects are being prepared for competitive bidding or for negotiation as unsolicited proposals. All 87 projects, once completed, will represent about $20 billion in investments. Of these 87 projects, 63 percent are in the electric power sector, 10 percent in environmental infrastructure areas, and 27 percent in other sectors (water, transportation, food market, slaughterhouse, road vehicle testing stations, etc.).

Virtually all of the completed projects are in the power sector, while most of the projects in the pipeline are non-power projects. After privatizing the power distribution monopoly, most new foreign investments in the power sector will probably be undertaken outside those covered by the BOT Law, with the private sector presumably willing to assume most project risks outside the regulatory framework. The government seems anxious to reduce its burden of risk-sharing in infrastructure projects and would undoubtedly encourage this trend in the power sector. Private investment under the BOT Law is increasingly needed in the environmental infrastructure area where projects are not likely to be economically viable for the private sector without some form of government assistance — temporary or permanent.

3. Impact of Private Investment under the BOT Program

It appears that private investment in the electric power sector, since the creation of the BOTC and the improvement of the BOT Law in 1994 has had a substantial positive impact in reducing government budgetary expenditures in that sector. Data from the Department of Budget and Management show that national government spending in the Power and Energy Sector was still P5.4 billion in 1993. The spending level dropped sharply to P2.0 billion one year later and further to P0.9 billion in 1995. (These data presumably do not include capital outlays by the state-owned National Power Corporation.)

The other infrastructure sectors do not show decreases in the government budget during these years, partly because most projects in these sectors have not yet been implemented. A part of spending in these areas is in a column labeled "subsidy to Local Government Units" and then can be found in LGO budget.

The impact of private investment under the BOT program on the public sector budget will be undoubtedly positive as private investments displace public investments in more and more infrastructure projects. This process will release government revenue for health, education, and security where the private sector may find fewer opportunities for viable investments. Even in non-viable projects, there would be a net saving in government revenue in providing a subsidy to let a

more efficient private sector do the project than financing such a project 100 percent with public revenues or by adding to the national debt service burden if financed with loans from international financial institutions. Moreover, the private sector would eventually return some of the subsidy in the form of tax payments to the government.

4. Legal Framework of BOT Program

The Government of the Philippines recognized a decade ago that public sector revenue sources and external borrowing, which would have expanded the country's external debt burden, were insufficient to finance the huge infrastructure requirements of the country. With the active support of USAID, the government decided to open the infrastructure sectors to domestic and foreign private investment. This initiative fitted into the government's overall economic reform program of liberalizing the economy from government controls and of encouraging private investment.

In 1989, the U.S. initiated the Philippine Assistance Program (PAP), a multilateral assistance program, designed to encourage economic development via public-private partnerships. USAID assistance through the Philippine Assistance Program Support (PAPS) Project enabled the government to launch the Philippine BOT Program in 1990. USAID assistance for the BOT Program under the original BOT Law stimulated private investment in the electric power sector and was successful in eliminating serious recurring power shortages.

In 1994, the BOT Law was amended by broadening the BOT Program to promote private investment in other infrastructure sectors. To achieve this, the BOTC was established, the public bidding and approval process was streamlined, and greater flexibility was introduced in the organizational structure and the financing arrangements of projects under the BOT Program. The law also set up BOT units, the national implementing agencies (IAs) within the Departments of Transportation/Communications and Public Works/Highways, and the National Power Corporation and in other national government agencies. Local government units (LGUs) were also set up to manage future BOT programs within their jurisdiction.

Under the present set-up, final approval of private sector infrastructure projects is required from:

- The president for all direct investments not specified under any law;
- The National Economic and Development Authority (NEDA) Board for all national projects over P300 million (about US$12 million);
- The Investment Coordinating Committee (ICC) for all negotiated (unsolicited) projects, for national projects up to P300 million, and for LGU projects exceeding P200 million (about US$8 million); and
- The Local Development Councils and the Local Legislative Councils for all LGU projects up to P200 million (US$8 million).

Private sector investments in infrastructure projects can be approved under the BOT program via a competitive public bidding process or by direct negotiation of unsolicited proposals initiated by

private investors. Direct negotiation may also be initiated only if one final bidder emerges from the competitive bidding process, while unsolicited proposals are offered for challenges by new bidders.

All projects listed in the Investment Priority Plan and all those amounting to more than $38 million under the BOT program qualify for the following investment incentives:

- An income tax holiday of 4 to 6 years;
- A reduced duty of 3 percent on imports of capital goods for the project; and
- Tax credits for purchasing domestically manufactured equipment and machinery.

BOT projects are also eligible for other tax and local incentives provided by LGUs.

The Board of Investments (BOI), outside the BOT program, has jurisdiction over registering infrastructure investment projects, including those outside the BOT program. Projects which are included in the Investment Priority Plan, upon registration with the BOI, qualify for fiscal incentives.

The BOI also develops and provides proposals for government policy and legislative changes toward private investments in infrastructure and toward foreign investments and private investments in general. Thus the BOI's proposals could affect the scope of the BOT program and the BOTC activities. There is also some overlapping jurisdiction between the BOI and the BOTC in investment promotion and some policy issues, but not in fiscal incentive administration.

All infrastructure projects have to pass through a lengthy environmental impact process prior to the final approval for implementation. The private investor for an infrastructure project must prepare and submit an Environmental Impact Statement to the Environmental Impact Assessment Review Committee. He also has to prepare a formal Scoping Report. High standards, similar to those prevailing in the U.S., are being applied in the Philippines in the environmental review and approval process. It takes apparently up to 75 days for the initial environmental examination to be concluded. Then the committee has up to 120 days to give its final approval. An accountability statement signed by both the private investor and the preparer of the Environmental Impact Statement concludes this is a time-consuming and often a frustrating and expensive process.

5. Constraints on the Effectiveness of the BOT Program

The amended BOT Law and the improved BOT program were implemented in 1994 to make the terms for private sector projects more flexible in order to attract private investment in infrastructure projects other than electric power. USAID technical assistance for the BOT II program has the following objectives:

- "Provide local governments with the capability to undertake BOT projects, particularly, environmental infrastructure;
- Make the non-power sector BOT units functional;

- Address the remaining policy, legal, regulatory, and administrative constraints that impede BOT implementation;

- Aggressively promote and market the Philippine BOT program;

- Demonstrate the feasibility of undertaking environmental infrastructure through BOT and similar schemes; and

- Ensure a smooth transition in the BOTC operation."

Approximately three years have elapsed since the decision to implement the revised BOT program. An evaluation of the results suggests that the above objectives were only partly attained thus far.

- The BOTC, strongly assisted by Price Waterhouse, the USAID contractor, has concentrated a large amount of its scarce resources on an excellent training program to generate support among LGUs for private investments in public infrastructure projects and to raise the capability of the LGUs to undertake and manage BOT projects. Some training was also provided to IAs and private sector organizations.

- This strong training effort has helped BOT units in the non-power sectors functional.

- Some policy, legal, regulatory, and administrative constraints remain that impede the projects in other infrastructure sectors from achieving the kind of success attained in attracting private investments to the power sector.

- The BOTC has not aggressively promoted and marketed the Philippine BOT Program among foreign investors abroad. Investment promotion agencies in Latin America and other countries have acted more aggressively and successfully.

- The BOTC has directed an initial, but not continuing effort to build political support at home and a strong constituency among the public in support of privatizing infrastructure sectors.

- Major legal and other constraints, such as the prohibition on the government to offer guarantees for LGU projects, continue to hamper private investor interest and vigorous responses to investment opportunities in environmental infrastructure projects under the BOT program. Among local impediments is the lack of fee collection for solid waste disposal, which affects the financial viability of environmental infrastructure projects.

- The BOTC remains inadequately staffed to expand the range of its current activities in the direction recommended in this report. Its mandate to operate ends in three years and there seems to be no clear provision whether its life will be extended or which agencies will assume its functions.

A shift in emphasis from electric power to environmental infrastructure for future BOT projects was decided three years ago; yet essentially most projects completed or awarded are power projects. There are several related reasons for the success of the program for power projects. A fundamental

reason, however, is that government guarantees under the program enabled the risks to be reduced sufficiently to make the economic rate of return for private investors and lenders attractive. Legal and policy constraints have so far prevented a replication of adequate national government risk and cost sharing in environmental infrastructure sectors. Government policy now is to limit guarantees in order to avoid risk exposure and offer instead market and credit enhancements in some cases.

Second, power projects are generally national projects, while water and environmental infrastructure projects are mostly managed by LGUs, which tend to require more time and effort to realize. Most new BOT projects planned and in the pipeline, however, are not in the power sector. Once the National Power Corporation is privatized, private investments in new power projects will be done mostly outside the BOT program on a BOO basis. Once power supply and purchase agreements are negotiated between two private power companies, there should not be a need for a comprehensive package of government guarantees. There will be no government entity to which to transfer power assets at the end of the contract period.

There are some private investor complaints about the effectiveness of the BOT program. Some private investors have complained that the Environmental Impact approval process is too bureaucratic, too slow, too stringent, inappropriate, and too costly for infrastructure projects. Moreover, the bidding process under the BOT program is also often slow and drawn out, particularly at the initial stage of agreeing on and preparing the terms and conditions for public bid offerings. The BOTC has proposed some changes to address these problems.

After the success of the BOT program in the power sector, the government has indicated less willingness for risk and cost sharing and an inclination to push more of such risks onto the private investors, even at the risk of greatly limiting and slowing down the BOT program in the priority sectors. Unsolicited investment proposals are categorically disqualified from any government guarantees, subsidies, or any fiscal incentives even if such investments would have a high social rate of return. The sale or lease of government assets to such private investors, however, is not considered a subsidy. Credit enhancements are not classified as guarantees, hence allowable for unsolicited proposals.

When submitting an unsolicited bid, some private investors are reluctant to submit a complete investment proposal, including a pre-feasibility study, a business plan, sources of finance, and all the contract terms which are necessary in making a decision on the risk allocation structure. These investors fear that key cost and other elements in the bid proposal might become known to bid-challenging competitors, despite agreement with the authorities on disclosure of information.

B. Recommendations

Greater flexibility in the terms and conditions offered to private investors and a re-direction of government policies applied to the BOT program may be needed to accelerate and to stimulate private investments in infrastructure programs.

It is recommended that the government review and restructure its policies regarding government cost and risk sharing with private investors in infrastructure projects. Government incentives and

guarantees can be offered or withheld according to choices or options among different criteria, namely, whether a given project:

- Is or is not on the government's priority list;
- Is processed under a public competitive bid or on unsolicited, negotiated terms;
- Is a national project or a LGU project;
- Will generate relatively large or small government budgetary savings or revenue if implemented and managed by private investors;
- Is financially viable or marginally or sub-marginally profitable; and
- Offers a high or a low social rate of return.

There are other criteria that affect the desirability or the importance of an investment project, such as political support, employment, foreign exchange generation, the size of the project, or the economic sector of the project. Any single or combination of these factors can serve as the criterion for government cost and risk sharing. Price Waterhouse has introduced *Avoided Cost Methodology*, a useful cost/benefit analysis tool for BOT projects.

It appears that current government policy considers the first three criteria in deciding the extent of government cost and risk sharing in new BOT projects. It is recommended that government policy be changed and the last three criteria be considered in determining government cost and risk sharing, with the objective of stimulating and accelerating private investments in infrastructure projects, particularly in water and sanitation. It should be highly desirable to attract private investment to a project that may not be financially viable without some government inducements, but have a very high social rate of return— an investment which the private sector could build faster, operate more efficiently, manage better, offer better service, at lower cost, and lower prices to the public. The alternatives to private investment would be:

- Postponing a socially needed project; or
- Diverting scarce tax revenues to finance the project from the government capital budget; or
- Seeking foreign financing from international financial institutions which would increase the country's external debt and increase the external debt service burden in the balance of payments.

For each proposed investment project, it can be calculated whether these alternatives prove to be more or less costly for the country than the government incentives, guarantees, and/or subsidies sufficient to stimulate private investor interest to undertake the project. Economically less viable projects with high social rate of return need government incentives and guarantees in order to lower the risks, and to raise the economic return that is sufficient to stimulate interest among private investors. This policy approach may be particularly appropriate for projects in environmental

infrastructure and where LGUs have not established a sound credit rating. If the national government consider the risks too high to participate in these types of projects, it would not be surprising for the private sector also to perceive this message.

It is recommended that the BOTC take the mandate provided in the BOT Law for expanding the BOT program with vigorous private investment promotion in other infrastructure sectors, such as seaports and airports, where the build-operate-transfer principle has become acceptable to private investors also in other developing countries. In these and the other infrastructure sectors, monopoly or quasi-monopoly conditions prevail and often require an extensive government regulatory framework, including structuring private investments so as to introduce some measure of competition even in former state monopolies. Private investments and operations in port services are freely allowed in virtually all countries, but governments often ensure that competitive conditions prevail. The BOT program can be applied to major investments in new container terminals, modernization, replacement and maintenance of installations in existing terminals. Currently, subsidized charges for the use of terminals would have to be raised to prevailing market rates, however, before private investors could generate an acceptable rate of return from an investment in and operation of a terminal. Also any reluctance by the National Port Authority of promoting private companies to invest in and to operate port installations may need to change.

Various Latin American countries, such as Argentina, Mexico, Panama, Peru, and Colombia, have successfully privatized, often under BOT contracts, their port operations. Argentina has used competitive bidding to select a group of private investors to operate, upgrade, and maintain each container terminal in the Buenos Aires harbor under BOT contracts in order to stimulate competition. Mexico has replaced its National Port Authority by a series of local Port Authorities controlled by the states and communities in which the ports are located. These local Port Authorities have the power to develop competitive bids under their own BOT programs for private investors to invest in and operate terminals and other infrastructure in the ports. Panama has successfully attracted major experienced international companies to create two sizable transshipment ports near the Panama Canal and to modernize and expand the two existing ports at either end of the Panama Canal. These investments have attracted new shipping volume, additional employment opportunities, and annual revenue payments to the Government of Panama.

It is recommended that the BOT program be confined to the infrastructure sectors and not be expanded into other sectors, such as hotels, slaughterhouses, market facilities, office buildings, etc. In other developing countries, these sectors are open to private national and foreign investments operating under competitive conditions without government involvement, except for granting fiscal incentives. Where there was government ownership, such investments have now mostly been privatized. It should be accepted, however, that there are differences in view from the one expressed above. It can be argued that private investment under a BOT program in food markets and slaughterhouses is a first step toward eventual full privatization and, therefore, deserves to be supported.

It can be argued that the BOT program should be incorporated into or aligned with the national objectives of economic reforms aimed at establishing a competitive, free market economy. This means that the BOT program should be viewed as part of the government's ongoing privatization program designed to progressively displace public by private investments and ownership in more

and more economic sectors and to transform the government role in the economy from one that controls and restricts to one that encourages and facilitates. In the infrastructure areas, the government can increasingly assume a catalyst and regulatory role and leave investments to the private sector.

In the institutional area, choices can be made among alternative approaches regarding the future of the BOT program, the BOTC, and other governmental investment policy and administration agencies. Developing countries in Latin America and elsewhere do not have a uniform institutional approach to private investment promotion in infrastructure and other areas. Most of the countries have an investment promotion agency, usually responsible to the Ministry of Trade and Industry or the Ministry of Finance or the Ministry of Economy. A separate BOTC does not seem to exist in any other country. On private investment promotion in infrastructure sectors, however, the investment promotion agency consults and coordinates with the appropriate Ministry or the Ministry of Transportation or Energy, or Public Works takes the lead role in setting and managing the terms and parameters for private investments in their sectors.

Some countries are considering setting up a Private Investment Center (PIC) as the most effective form of promoting private investments in all sectors of the economy, including the infrastructure sectors. Such a PIC would be headed by a manager of cabinet rank or be part of the most senior among the economic cabinet ministries. The PIC would consist of the following departments:

- Incentives, administering the private investment incentives law and approving fiscal and other incentives for private investments;

- Investment Promotion, aggressively promoting and attracting private foreign and national investments in all areas of the economy;

- Commercial Information Center, supplying relevant, up-to-date information to private investors and exporters about markets and terms, conditions, and regulations for private investments; and

- One-Stop-Shop for Investors, to facilitate all aspects of the process of setting up a new investment by, for example, assisting the foreign and national investor to fill out correctly all forms needed to respond to public bids, to incorporate, to qualify for incentives, to import, to obtain building permits and environmental certification, to hire a work force, etc. For example, in Tunisia, all ministries and government entities involved with approvals related to new private investments have their representative behind his desk in the One-Stop-Shop for Investors. Thus, in one place, representatives of the private investor are able to fill out correctly, with the help of these government people, all necessary forms and attach all needed supporting documents and hand it over to each of the approval authority seated at the One Stop Shop. In this way, the time involved with red tape and the investment approval process can be reduced considerably.

Since the mandated life of the CCPAP program agency and with it the BOTC is scheduled to end in the year 2000, a decision will become necessary whether to extend the operation of the BOTC as a separate government agency with the present range of responsibilities and staffing, whether to

expand its scope and staffing, whether to disband it, or whether to merge it with the Board of Investments or some other government agency with responsibility for promoting private investments or supervising the infrastructure sectors. The management of the BOTC is confident that its mandate will be extended beyond year 2000, because the BOT concept as a strategy for investments in infrastructure has been included in the government's Medium-Term Philippine Development Plan.

SECTION III. EFFECTIVENESS OF THE BOT CENTER

A. Evaluation

1. Mission of the BOT Center

The mandate of the BOTC as a distinct government unit responsible directly to the Office of the Presidency was established by Memorandum Order No. 166, issued by President Fidel V. Ramos in September 1993, and later further expanded by Republic Act No. 7718 of May 5, 1994, which amended the original BOT Law.

In broad terms, the main functions of the BOTC are defined in the Handbook on Doing BOT Business in the Philippines to:

- Promote the BOT program;
- Train implementing agencies, LGUs, and the private sector;
- Coordinate activities relating to the BOT program; and
- Monitor the implementation of the BOT projects.

The mission of the BOTC is further clarified as follows:

"To lay the groundwork for accelerated economic growth of the Philippines through the development and implementation of infrastructure projects by means of:

- Provision of appropriate support to implementing agencies and local government units to achieve strategic project development and implementation goals more rapidly;
- Worldwide promotion of the BOT Program and the public-private partnership approach to project implementation;
- Facilitating the entry of project sponsors, developers and financiers into the BOT Program; and
- Provision of training and technical assistance to implementing agencies and local government units in all phases of the project life cycle (from project identification and development, project packaging, bidding, negotiation, construction up to commissioning)."

The role thus assigned to the BOTC as far as the BOT program is concerned appears to be quite clear, namely to:

- Help the IAs and LGUs speed up the BOT process;
- Train them to effectively manage all phases of the BOT process;

- Promote worldwide the public-private partnership of the BOT program; and
- Facilitate participation of the private sector in the BOT projects.

2. Role of the BOT Center in the BOT Process

The individual elements in the BOT process consist of :

- Selection of infrastructure projects from the Medium-Term Philippine Development Plan according to the BOT Law for inclusion in the BOT program;
- Advocacy and generation of political support for the BOT projects;
- Promotion and marketing of BOT projects;
- Institutional strengthening of BOT process;
- Development and execution of BOT projects;
- Monitoring project implementation; and
- Eventual asset transfer at the end of the contract period, if so provided in the contract terms.

The BOTC is directly or indirectly involved to varying degrees in all of the above aspects of the BOTC process.

The National Economic Development Authority (NEDA) Board, composed of the president and some economic cabinet ministers and public agencies, is responsible for the country's economic development policy framework (see Organization Charts in Appendix E). One of NEDA Board's key units is the Investment Coordinating Committee (ICC). The BOTC is represented in the ICC. The ICC approves publicly-funded infrastructure investment projects, as well as BOT projects of up to P300 million (those above P300 million require NEDA Board approval, while those below P200 million have to be approved by Local Development Councils).

BOT projects, submitted by IAs and LGUs, are generally approved if they are financially viable and hence do not require some form of government subsidy. In competitive bid tenders involving some form of government subsidy or participation, it has to be determined that the government agencies are not offering more than the private investors would be willing to accept. Here comparative analysis offered by the BOTC proves helpful as well as in the case of negotiated contracts where the agencies are required to establish an estimated rate of return for the private investors prior to the start of negotiations.

The ICC identifies priority infrastructure projects in the Medium-Term Philippine Development Plan suitable for the BOT program and it analyzes the impact of BOT projects on the national budget and on the national economic development plan. As a member of the ICC, the BOTC thus has influence on the selection of national BOT projects and on the terms and approval of certain BOT projects.

As part of its close working relationship with the IAs and LGUs, the BOTC helps these agencies in identifying local projects suitable for the BOT program. The BOTC is most directly involved in training the IAs and LGUs to manage BOT projects and in advising and assisting these agencies in developing and executing bids and in evaluating bid responses by private investors. Personnel of the BOTC meet quarterly with the BOT Project Development Officers to discuss national BOT projects, potential new programs, preparation of proposals for approval by ICC, training needs, and new bid and contract terms. BOTC personnel help the IAs and LGUs prepare bid documents and serve as non-voting members on the Award Committees. The BOTC, however, only responds to requests for assistance; it does not assume the initiative to propose such assistance.

Thus the BOTC plays a key role in the success of public tender offerings acceptable to private investors and in negotiated contract terms.

The BOTC may provide advice but does not play a direct role in:

- Approving required environmental impact studies for BOT projects and issuing environmental compliance certificates, which are handled by the Environmental Management Bureau;

- The establishment of tariffs and other regulatory provisions for BOT projects, which are done by the sectoral regulatory agencies; and

- Administering fiscal and other investment incentives for BOT projects, which are approved by the Board of Investments.

3. Training Function of the BOT Center

The BOTC and Price Waterhouse have jointly conducted extensive training programs for LGUs and IAs to elevate the capacity of the public project managers to effectively plan, develop, design, and execute the BOT process. Extensive seminars, using Price Waterhouse training manuals, lasting several days at different locations, continue to be conducted by Price Waterhouse and the BOTC on wide-ranging issues relevant for the administration of BOT projects. It appears that the Price Waterhouse representatives often dominate the roster of trainers and presenters rather than BOTC personnel. Participants have expressed high praise for the quality and relevance of these training sessions. Training was also provided for the Foreign Service Institute and to commercial attaches of Philippine embassies in Hong Kong, Japan, and Korea to help promote foreign investments for the BOT program in the Philippines. An evaluation of the training function by Price Waterhouse and the BOTC is offered in more detail in Section IV of this report.

The joint role of Price Waterhouse in the training of LGUs and IAs prevents gaining a clear picture for evaluating the ability of BOTC staff to stand alone and perform this function comparably well as in the currently joint training effort. Price Waterhouse has started withdrawing gradually from its strong, direct involvement in training LGU and IA personnel. It is recommended that Price Waterhouse concentrate on the introduction of new techniques and new methods of analysis useful in evaluating and monitoring the benefits and implementation of BOT projects and to assist the BOTC to exercise its functions independently.

4. Promotion of the BOT Program

There are several components of promoting a private investment program. The involvement and effectiveness of the BOTC in each aspect appears to have been uneven for various reasons.

A promotion effort in support of the BOT program should consist of:

- Advocacy and promotion of the BOT program among government agencies that will be involved in managing BOT projects;

- Advocacy and promotion of the BOT program and individual BOT projects to generate political support among the public, labor unions, the business sector, academics, political parties and leaders, and non-governmental organizations; and

- Promotion of the BOT program designed to attract domestic and foreign private investors to specific BOT projects.

The strongest effort by the Center has been to have the IAs and LGUs accept private investments in traditionally public sector monopolies. Generally, there has been no political opposition to the BOT program among different interest groups at the national level; hence little public advocacy effort was felt necessary. A series of seminars and workshops was organized for the public, for bankers, and for other private sector groups in 1993-94. Only scattered, ineffective opposition by labor unions has been reported thus far.

5. Effectiveness in Attracting Private Investments

The BOTC plays the role of intermediary between the public BOT project management and private companies interested in investing in projects under the BOT program. The BOTC has filled an important gap by acting as a useful information source for domestic and foreign private companies requesting information about the BOT program, and government contacts and agencies involved in the approval process. The BOTC provides helpful information to private companies in explaining the process of incorporation and setting up a new plant or company. The Center, however, is not organized to perform the tasks of a One-Stop-Shop for Investors.

The BOTC has organized, supported, and participated in campaigns to attract foreign investment to the BOT program, but it has been less aggressive in this effort than investment promotion agencies in many other developing countries. This less pro-active attitude may be due to several factors:

- Other government agencies, such as the Board of Investments, have prime responsibility for attracting foreign investment in general. It is the agency that administers the foreign investment fiscal incentive program.

- A number of domestic and foreign private companies usually responds to offers to bid on infrastructure projects without any major publicity campaign.

- The BOTC lacks staff experienced in publicity, public relations, and foreign promotion.

- The BOTC budget is not adequate for effective promotion abroad.

The BOTC has provided brochures about the BOT program for distribution during visits abroad by the President of the Philippines. A high level BOTC official has accompanied missions to Europe, Canada, and the United States organized by other agencies of the Philippine government, such as the Department of Trade and Industry. The BOTC, together with the US-ASEAN Business Council and the US-Philippine Chamber of Commerce, organized a BOT Infrastructure Privatization Mission to the U.S. in 1994 and 1996 and more are planned for the next two years. The BOTC offers presentations, briefings, informal discussions, and a Web page in the Internet directed at foreign investors. Commercial attaches of foreign embassies in Manila and attendees of previous missions abroad, who expressed in a questionnaire interest in infrastructure investments, are informed of upcoming public bids for private investment in new infrastructure projects.

The Center does not stage press campaigns and other forms of publicity. It has no cassette, CD, or other video presentation extolling the Philippine investment climate and the benefits of BOT investments for private companies.

The BOTC has taken some steps pressing for further liberalization of legal and regulatory restrictions on private investments in the infrastructure sectors. More can be done, including advocacy to end remaining discrimination against foreign investments on land ownership and equity holding in public utilities. Some informed sources see a need for greater transparency in the bidding process and for greater consistency in the terms offered private participants in infrastructure investments. Individual managers of IAs or LGUs rather than a transparent process often influence or determine the course of BOT project proposals resulting in costly delays and less than optimum outcomes. Concerns voiced by investors are:

- Excessive bureaucratic procedures and delays;
- Conflicting jurisdictions and lack of effective coordination among government agencies involved applying laws and regulations relating to private investments;
- No clear assignment and delineation of responsibilities among government departments and other agencies, including responsibility for promoting foreign investments, opening public monopolies to private investment, advancing privatizations and deregulation;
- Local politics in municipalities and regional governments delaying or impeding private investments;
- Costly delays for investors in the removal of squatters on land needed for infrastructure investments;
- Unfair or special treatment of interest groups in some cases;
- Extended delays due to legal challenges of awards;

- Non-transparent approval process in some cases; and

- Unresolved problems relating to government guarantees, incentives, and subsidies for private investments in marginally financially viable, yet socially desirable investment projects.

6. Impact of Center Activities on the BOT Program

The BOTC has undoubtedly had a significantly positive impact on the mobilization of efforts to develop the public-private partnership in infrastructure projects. BOTC training, coordination, and promotion in the BOT program have directly and indirectly benefitted the Philippine economy.

B. Recommendations

All analyses and information sources coincide with an assessment that the BOTC has discharged well its tasks in advancing the BOT program. The recommendations outlined below should, therefore, not be viewed as a criticism or as shortcomings of the Center's activities, but as suggestions for extending or expanding the BOTC's activities for further promotion of private investment in infrastructure sectors.

1. A Policy Advocacy Role

The intermediary role of the BOTC between private investors and government agencies, and the Center's daily activities and contacts with private investors, LGUs, IAs, and various government departments involved with administering policies relating to private investments place the BOTC in an ideal position to receive feedback about constraints for attracting more private investments in certain areas as well as suggestions about how to remove these constraints. Although it is not the task of the BOTC to formulate and advance changes in government policies toward foreign investment, the BOTC could pass on feedback received from private investors and government agencies how to remove constraints to private investments to those government departments that are in charge of formulating government investment policies, such as the Board of Investments.

In the interest of promoting more private investment, the BOTC should organize itself to participate more actively in debates involving policy reforms that affect the BOT program directly or indirectly and that affect private investments in infrastructure also outside the BOT program. BOTC involvement in such policy advocacy areas is needed whenever policy constraints impede foreign investments in infrastructure projects and thus directly or indirectly affect the success of the BOTC. The top management of the BOTC undoubtedly voices views and participates in high level discussions of government policies relating to policies toward private national and foreign investment. Reporting directly to the Office of the Presidency, the BOTC is in a position to advance its views and recommendations to the highest levels of government. The BOTC could assume a stronger advocacy role — even though it is not its assigned responsibility — by developing and distributing analyses and recommendations for broader involvement and further liberalization of domestic as well as foreign private investment and by organizing high level discussion groups and seminars on this subject. This initiative could be visualized as part of the effort to pave the way for opening the door wider to more private investments in more infrastructure sectors.

The BOTC should expand its role as information source not only for private investors, but also for Philippine policymakers by informing them about the diverse approaches taken by other developing countries in Latin America and Asia in attracting private investments in areas that were previously the domain of governments and by demonstrating the potential benefits to the Philippine economy of adopting some of the policy measures that have proven to be successful.

Examples of areas potentially suitable for a greater advocacy role by the BOTC are:

- Further revisions of rules discriminating against foreign investors;
- A more effective investment incentive program for the Philippines;
- A series of proposals of how to reduce red tape burdening private investors, how to further streamline the investment approval process, and how to expand the concept of a One-Stop-Shop for Investors;
- Advantages for expanding the BOT program to the seaport and airport sectors; and
- Alternative ways for removing constraints and promoting private investments in infrastructure projects with relatively low profitability but high social return.

2. Improving the BOT Process

Some local private sources have indicated that local politics or obstruction by heads of LGUs sometimes delay or kill sound BOT projects. These sources suggest that the BOTC should be more assertive and willing to exercise more authority to overcome this form of constraint. Related to this issue are shortcomings in transparency or consistency of approach in the BOT bidding process usually related to the above politically motivated constraint. The BOTC will obviously make all efforts to maintain the high integrity and transparency of the BOT process in order to retain the confidence of private investors in the fairness of the process.

Insufficient time to prepare bids, less clarity or poor construction of some bid proposals, and some legal discrimination in bid terms have also been mentioned as constraints for private investors in some cases. Parent companies of major multinational companies, similar to international financial institutions, often have an involved process of budgeting and management approval of important investments and, therefore, need sufficient time to decide on and to prepare responses to bid proposals.

The BOTC should take an active role, even though it is not its mandate, in advocating revision of government procedures for removing squatters from land needed to develop an infrastructure project without costly delays after the bid has been awarded to private investors. The process to remove squatters from such land does not have to await the granting of the award, but can be started in most cases immediately after it has been determined which land area will be included in the bid for the project.

The BOTC should take an active role in advocating legislative changes, including a change in the constitution, if necessary, to terminate prohibition against foreign ownership of land. Among the countries in Latin America and the Caribbean, only Haiti still maintains this type of discrimination against foreign investors. While foreign investors are allowed to rent land for extendible periods of up to 40 years, a problem arises when local investors are not willing to lease land for a low rate of return often necessary to justify an infrastructure investment project.

3. Expanding Promotion Activities

The BOTC has emphasized promotion of private investments in infrastructure projects among IAs and LGUs. The BOTC has also provided information about the BOT program to private investors and organized or participated in road shows abroad designed to attract foreign investment. More can be done to attract private investments to infrastructure projects. With little or no effort at promotion, domestic and some foreign private investors have responded to bid offers, but more investors can usually be attracted by aggressive and by targeted promotion efforts. The BOTC has been given the task for "worldwide" promotion. This task can be carried out with pro-active initiatives in addition to the more passive role of providing relevant information on request.

Road shows, as they have been conducted and are being planned for the future, can serve as an effective vehicle for:

- Informing a large group of companies about investment opportunities in infrastructure in the Philippines;

- Meetings and presentations about investment opportunities in the Philippines at industry or product-specific national business associations of companies that are involved in the types of infrastructure the Philippines want to develop;

- Advertizing the opportunities for foreign investments in infrastructure projects by setting up booths at presentations before industry-specific business associations, such as the American Water Works Association;

- Direct contacts between top executives of the BOTC and those of parent companies with a potential interest in investing in the Philippines;

- Media publicity in the country where the road show is being conducted about investment opportunities in infrastructure in the Philippines designed to reach a much larger audience than those attending the organized meetings.

The BOTC has taken all of these initiatives at the previous two road shows. It can organize future road shows to reach at such opportunities a maximum number of top executives of targeted companies that are still to develop an active interest in bidding for upcoming BOT projects. The BOTC should consider inviting again the local managers of important companies and banks to participate in the road show with speeches and presentations and even in some corporate Board meetings that would enhance the credibility of the promotional efforts by BOTC personnel. The presence of these executives could ensure that high-level corporate executives from many large and

small companies interested in infrastructure projects, or from banks making long-term loans for infrastructure projects, will actually attend the road show meetings or make time available for private sessions.

Some countries, such as Tunisia, have developed simple but highly effective summarized presentations on diskettes in several languages extolling the positive investment climate and describing the policies and regulations relating to foreign investment in general and by sectors. The BOTC should develop a similar video presentation related to the BOT program. Such diskettes can be handed out at the Center and possibly at the road show to enable a company representative to inform a larger group of executives in his company who are unable to attend the road show or travel to the Philippines, but who may be critical for a decision on investing in infrastructure in the Philippines.

Under an agreement between the Department of Foreign Affairs and the Department of Trade and Industry, the commercial attaches at Philippine embassies could be further trained to assist in the BOTC's promotional efforts abroad. Commercial attaches could establish and cultivate contacts with individual executives of corporations with potential interest in the kind of infrastructure projects the BOTC wants to promote and invite them to the scheduled road show meetings and/or organize a special presentation to the Board of Directors of the company by BOTC executives and accompanying local business executives. Philippine commercial attaches should maintain and expand these types of contacts among relevant companies in the country where the embassy is located in order to directly inform top executives of appropriate companies well in advance about any upcoming competitive bid offer of potential interest.

Commercial officers in Philippine embassies in Latin America and other developing countries should be organized and trained to inform the BOTC regularly about innovative, effective ways of promoting and attracting foreign investments in infrastructure in those countries so that the Philippines BOTC could analyze these approaches and emulate successful examples.

SECTION IV. EFFECTIVENESS OF USAID-FINANCED TECHNICAL ASSISTANCE TO THE BOT CENTER

In June 1992, USAID awarded a contract to Price Waterhouse (PW) to provide technical assistance (TA) to the CCPAP for a BOT infrastructure privatization program known as BOT I. With an inception date of February 15, 1996, USAID awarded a follow-on TA contract (BOT II) to PW intended to address the impediments still besetting the program. The specific objectives of the PW TA were to:

- Provide LGUs with the capability to undertake BOT projects, particularly for environmental infrastructure;
- Make the non-power sector BOT units functional;
- Address the remaining policy, legal, regulatory and administrative constraints that impede BOT implementation;
- Promote and market aggressively the Philippine BOT program;
- Demonstrate the feasibility of undertaking environmental infrastructure through BOT and similar schemes; and
- Ensure smooth transition in the BOTC operation.

To meet the above objectives, the following tasks were outlined in the PW scope of work:

Task 1: Strengthen BOT project development and implementation capability at the national and local government levels.

Task 2: Build an inventory of implementable BOT projects.

Task 3: Promote and market the Philippine BOT program.

Task 4: Improve the policy, legal, fiscal, regulatory and administrative frameworks for BOT project implementation in the Philippines.

Task 5: Procure computer hardware and software for 3 GLUs.

As a result of assessments, discussions with various contacts, review of PW's most recent Workplan, and PW's *Status of BOT II Deliverables* report dated June 30, 1997, the conclusion was reached that the technical assistance required by their contract has been or is being provided in a professional and timely manner. Accomplishment as of June 30, 1997 of specific tasks described in the Inception Report/Scope of Work may be summarized as follows:

Task 1: Strengthen BOT project development and implementation capability at the national and local government levels.

This is being accomplished through extensive and effective training programs and human resources development programs. Instruction was and is offered in such areas as financial analysis, negotiation skills, policy, computer software, train-the-trainers programs, preparation of feasibility studies, project appraisal guidelines, marketing & promotion, and an avoided cost methodology workshop. Seminars on project financing and project / contract management have been requested by LGUs. Additionally, organizational BOT units have been set up at the 11 agencies required by the contract plus three others.

Training has been a major focus of PW technical assistance and of key importance to developing the capability of national and local government units in project development. The BOTC personnel are thoroughly integrated and work closely together. In effect, PW supplies qualified personnel to augment the Center's staff of government employees. The integrated team effort is clearly evident in the training program, therefore the program as a whole is evaluated here and no attempt is made to isolate the relative contribution of the consultant.

Many different courses have been developed, materials and manuals prepared, and courses conducted throughout the country for different targeted audiences. The first course was held in May, 1993, in Cagayan de Oro City, in Mindanao, and the training programs continue to this day. Appendix H is a detailed list of all the structured training programs in this period. The following table presents quantitative information about the formal training sessions and seminars conducted by the joint training teams through June 1997:

Number of training programs conducted	80
Number of training days	169
Number of participants in training programs	4,718
Number of participant days of training	9,796

Training programs were conducted in more than twenty different cities, in all three regions of the country. The average class size was 28 and the average program duration was 2.1 days. During the four years of training programs, an average of more than two full months a year (42 working days) has been spent in training sessions, with the rest of the time spent organizing, promoting, traveling, evaluating, and administering the sessions, and developing and producing training materials. This can be considered a high degree of productivity.

A portfolio of courses was developed. For instance, there was a series of four courses, Advanced Management Program in Environmental Infrastructure I, II, III, and IV. They cover basics, Project Preparation and Appraisal, Bid Preparation and Evaluation and Contract Negotiation, and the last in the series is a wrap-up session. Numerous other courses were designed for particular audiences. The schedules of two training programs appear in Appendix I. Some of the programs were jointly sponsored with other organizations, for example, the Local Water Utility Association (LWUA). This adds to the effectiveness of the program, both in terms of attracting participants and in ensuring good design of the particular session. High level participation has also been a feature of the program; the

Governor of Bohol Province, for example, gave the keynote address at one of the programs. This lends authority and importance to the courses.

Close attention was paid by the Center to course evaluations. In Appendix I is an evaluation form used by participants in the Advanced Management Program III course conducted in Visayas. Appendix J shows the three-part assessment of that program derived from the evaluation form: (1) an assessment of the topics; (2) an assessment of the presentation and speaker; and (3) an assessment of the participant's understanding of the specific issues, concepts, and tools covered in the course.

The team examined course outlines and schedules, manuals, evaluation forms, and interviewed PW and BOTC personnel responsible for training. It was found that participants gave high ratings to the various program elements in their evaluations. The quality of course outlines, materials, manuals, and course evaluation process is outstanding, as are the management and organization of the training activity. The most important measure of performance of a training program is the effect on the subsequent actions of the participants. In this respect, too, the program can be considered very successful. Numerous proposals, 94 to date, have come to the BOTC from program participants and a continuing growth in demand is foreseen. In short, the training component of the USAID-Financed Technical Assistance has been a great success.

The foregoing discussion focused on structured or formal training. As requests flow into the Center from LGUs for technical assistance, in essence the training can now be considered to be informal and unstructured, one-on-one. This reflects the specificity of LGU needs at this point, and the LGU unit at the Center is responding appropriately, we believe. Structured training is still needed and is being carried out, to reach additional LGUs and other appropriate organizations (e.g., LWUA), and to train new personnel, but it is expected that the intensity of the structured program will subside while one-on-one training grows to satisfy the demand.

Project development and implementation capability has also been strengthened by setting up operational BOT units at 14 agencies, 3 more than required in the PW contract. Our meetings with several BOT project officers reflected an impressive ability to consider the financial needs of investors as well as the interests of the government. This ability of the Project Development Officers to address the private investment concerns such as acceptable Internal Rates of Return / Net Present Values, contract terms that would produce adequate risk mitigation, etc. was impressive since it is less apparent in some other countries.

The training and technical assistance activities of PW and the BOTC should contribute significantly to the success of project development in the Philippines as more government, and particularly local government personnel, are trained and become increasingly effective in dealing with and evaluating private sector investment proposals. One experienced foreign business manager said "There is nothing more important to a private sector investor than dealing with public sector people who have a sound understanding of the commercial and financial issues involved."

Task 2: Build an inventory of implementable BOT projects.

To develop new infrastructure projects, PW tasks have included assisting IAs on projects under negotiation, promoting LGU projects, pre-feasibility studies of seven IA & LGU projects, review

of legal issues and documentation on water and wastewater sectors, development of sample bid documents and contracts, monitoring procedures, revolving feasibility studies fund.

PW assists the BOTC in various ways to develop an inventory of potential BOT projects. For LGUs, project leads are sourced from discussions with participants at the Management Training Seminars done for LGUs, from case studies presented at seminar workshops that are a part of the training, from telephone requests for assistance, and even newspaper articles discussing regional projects. For national IAs, meetings are held including regular quarterly meetings with Project Development Officers where information is exchanged and updates are given on current and future projects.

The projects that constitute the BOTC inventory are listed each quarter in the PW Quarterly Progress Report divided according to LGU/National Projects. Details of the most recent projects are in PW's May 15, 1997 Quarterly Progress Report.

Task 3: ***Promote and market the Philippine BOT program.***

PW tasks include assistance in preparing of the BOTC annual report and video presentation, organizing promotion missions and investors' conferences, and updating BOT brochures, newsletters, and road-show materials.

PW was actively involved in the preparation of the first Philippine BOT Program 1995 Annual Report and provided advisory assistance to the BOTC in production of the subsequent Philippine BOT Program 1996 Report. PW continues to be active in organizing promotion missions and conferences and is in fact working now on a conference scheduled for November of this year which will deal with Information Technologies. In conjunction with the US-ASEAN Council, the American Chamber of Commerce and the Philippines Software Development Association, representatives from the Philippines will visit U.S. cities to meet with various agencies such as state departments of motor vehicles and will interface with appropriate U.S. software users and developers. PW has assisted the BOTC in organizing and participating in various promotional activities of the BOT program abroad including the USA (Washington, D.C., Virginia, Illinois, Arizona, and California), Canada, Australia, and Europe.

As described in Section IIIA, the evaluation of the effectiveness of the BOTC indicates that the PW has assisted the BOTC effectively in discharging its task of promotion and marketing private investment opportunities in infrastructure sectors. Virtually all sources interviewed agree with our assessment that efforts are concentrated where they are considered to be most needed, i.e.:

- Promotion among IAs and LGUs to accept the need for and develop private investments in public infrastructure projects;
- Training of IAs and LGUs to manage effectively all phases of the BOT process; and
- Technical assistance in developing the bid packages, evaluating the responses to the bid offers, and participating in the selection of the winning bid.

A somewhat lower-profile role has been taken in promoting the BOT program at home to build up political support and local constituencies for the BOT program. Little attention has been devoted to this aspect of the BOTC mandate, because support rather than opposition emerged when the BOT program was implemented to end the electricity crisis. Some BOT projects, however, may encounter strong political opposition if they threaten organized vested interests, such as massive job losses by unionized workers. The BOTC could focus more attention in the future on this aspect of its role and hire one person trained in public awareness for this task to prevent opposition delaying or killing worthwhile future BOT projects and to help prevent opposition to privatization in general.

Task 4: Improve the policy, legal, fiscal, regulatory and administrative frameworks for BOT project implementation in the Philippines.

Policy advocacy assistance has been given to the BOTC on government support for BOT and other forms of private participation in environmental infrastructure; PW has completed the Avoided Cost Methodology for Water Projects study, a study on Pilot Demonstration for Solid Waste Management, and continues to work on risk templates for water and solid waste projects.

In the Avoided Cost Methodology (ACM) study, PW started work in July 1996 to develop, design, test, and provide training in the use of ACM for evaluation of private sector project proposals in the water supply sector. The objective is to stimulate private sector participation in developing and operating water supply systems by providing the BOTC with an ACM computer model which will allow them to rapidly assess BOT and BOT-related proposals for water supply projects. The output from the model will show whether private sector proposals appear reasonable and the amount of public sector investment (both capital investments and operating costs) which could be avoided if such private sector investment is to be accepted. The main advantage of using ACM is that it will allow the public utilities to estimate the cost of water supply investment proposals quickly and at low cost by using the model. ACM is being reviewed by NEDA and is expected to become operational in 1998. PW has presented the final draft report and conducted workshops on ACM for water projects with participants from LWUA, NEDA, the Department of Interior and Local Government, and various water districts. PW expects NEDA approval soon.

This ACM concept may be applicable to other sectors, such as Solid Waste, in the future. Developed initially in the U.S. primarily for electric power generation projects during the late 1970s, ACM is a creative approach undertaken by PW for examining in a standardized format the cost benefits of private versus public sector investment in infrastructure in the Philippines. ACM's value to users of the model should be carefully assessed and if it proves to be useful, then the BOTC should be supported in its efforts to transfer this technology to the LWUA as well as extend its application to other sectors.

PW also completed a study on Policy Options to Facilitate Private Sector Participation in Solid Waste Management Sector to provide guidance, in particular to LGUs, on technical and financial issues of community solid waste management. PW's Batangas Solid Waste Demonstration Project Report was completed in June 1997. It lays the foundation for other LGUs to develop similar sanitary landfills throughout the country.

Task 5: Procure computer hardware and software for 3 LGUs.

PW has advised that the BOTC requested and USAID agreed that this task would be changed from the original task of acquiring appropriate computer hardware and software for three LGUs. Instead, because many LGUs that BOTC deals will already have computer hardware and software capability, the task was refocused to enhance the BOTC's own computer capabilities in financial analysis, and to avoid cost methodology. It also enabled the conversion of the BOTC library to a centralized database, and to make this expanded BOTC capability available to all LGUs for analyzing project proposals. Requirements for computer hardware and software have been identified and coordination of procurement/installation and development of improved database at BOTC is proceeding.

SECTION V. SECTORAL ANALYSIS

A. The Power Sector

1. Evaluation

During the late 1980s and early 1990s, the Philippines suffered a major power crisis that nearly crippled the country's economy. The government realized that it lacked the ability to install additional power to deal with the power crisis or indeed to meet the projected growth of the economy. The bottom line was financial: private-sector capital was needed to save the rapidly-deteriorating situation in power. And in 1987, President Aquino signed Executive Order No. 215 allowing private sector participation in the government power infrastructure projects.

Additional power capacity had to be built quickly and contracting with Independent Power Producers (IPPs), who would undertake projects and finance them with their own capital, would be the solution. The first BOT contract was signed by NPC with Hong Kong's Hopewell Energy Management Ltd in 1988 to construct a 210 MW turbine power plant in Luzon, which became operational in 1991. Eventually a group of power projects totaling 1,016 MW was identified and packaged to comprise the Fast Track projects. The NPC continued to build capacity, and awarded BOT contracts under the Energy Crisis Act (RA7648).

The program worked well and today 27 IPP projects have been completed with Independent Power Producers that account for 4,800 MW or 46 percent of the total rated capacity and over 43 percent of the total dependable capacity in the Philippines. Another 24 projects totaling 6,500 MW are under construction or in proposal. By the year 2005, IPPs are expected to produce around 13,000 MW or about 74 percent of total installed capacity.

The policy framework that provided government support for the power sector infrastructure development has since evolved as the central government support for development in other sectors. That framework may be seen as follows:

- **Fiscal Incentives** - including income tax holidays, reduced 3 percent duty on imports, tax credits, and allowing employment of foreign nationals.

- **Government Undertakings** -
  - cost sharing of projects difficult to finance, not to exceed 50 percent of project costs

  - credit enhancements including contractual obligations of the government such as guarantees of:
    - performance of other government entities (like the take-or-pay obligations of the NPC)
    - loans of proponents
    - market risk
    - credit risk
    - fuel or supply costs
    - foreign exchange risk
    - fundamental sovereign risk

The basic rationale for providing such attractive and comprehensive government support for infrastructure development in power was based on the premise that the cost of having no electric power was greater than the cost of the government providing extensive support in the form of these undertakings and fiscal incentives.

In addressing infrastructure development, it is useful to review how and why the power sector was so successful and has become a veritable model and powerful testimony to the ability of the private sector to play a central role in Philippines economic development in infrastructure. Why has it worked so well? And what does the answer to that question tell us about how to build a model and establish a framework for achieving similar successes in the important future infrastructure developments that must follow? Evaluating the power-sector experience can help the government in providing the right environment for continued and expanded participation of the private sector in other sectors producing services and products critically needed for future economic development.

The power sector worked because each individual project was given the right characteristics to succeed. Each project was made viable because the NPC and the government created the right profile to both equity and debt investors to attract their participation. In each case, an attractive *project finance profile* was created providing equity and debt investors in the private sector with a combination of estimated project cashflows, return on investment, and risk mitigation, that would allow them to make the decision to go forward with the projects.

The government needed to provide certain support to create a favorable project finance profile which, under the BOT law and the BOT program, would appeal to equity and debt investors. And the power sector projects offered those private sector firms that were able and interested in building electricity generating plants the opportunity to do so under commercial and financial terms that were attractive and would produce results consistent with both the investors' financial and commercial objectives and the government's needs.

In addition to the fiscal incentives offered in the power sector, BOT incentives involved support provided by the Philippine government in various forms. Typical of these powerful incentives were:

- Free-of-charge provision of the site for the power plant, transmission lines to the site, and delivery of fuel such as coal.

- A fee structure composed of the following:

    - Capacity fees payable regardless of usage based on the kilowatt capacity that the company commits to make available to NPC in each year. These capacity fees were typically designed to cover capital costs, debt service, fixed operating costs, and return on investment;

    - Energy fees paid for all electricity actually sold to NPC. Its purpose was to cover variable operating and maintenance costs;

    - Indexing a portion of both capacity fees and energy fees to adjust for inflation;

- Denominating these fees (except for a small portion to cover local currency costs) paid by NPC to the IPPs in various strong currencies, including US dollars, German marks, and Japanese yen, to protect investors against possible future depreciation in the value of the peso;

- Key undertakings provided by the government to ensure performance by NPC of its obligations under the Energy Conversion Agreement.

Opting generally for BOT or occasionally BOT-variant types of contractual arrangements, project investors were willing to invest equity and debt into a project that offered them attractive cashflows, levels of profitability, and risk/return profiles. The power contracts thus ensured relatively-fixed and predictable revenues to the project paid by NPC backed by the government, over an acceptable time-frame that offered a profitable investment opportunity to both equity and debt investors.

In short, the formula for success was:

- Accessing the proven capability of the private sector to do the job, i.e. to generate electric power efficiently and to finance the project;

- An agreement with the project that would provide a profitable relationship between the project revenues and costs, i.e.:

  - Take-or-pay style contracts between the project and NPC agreements denominated in US dollars that ensured a revenue stream to the project,

  - Incentives including tax breaks, free fuel and free land to reduce project costs and capital investments; and

  - Undertakings by the government to ensure their (NPCs) performance

All this combined to provide an attractive opportunity to debt and equity investors to undertake numerous projects in the power sector based on their evaluation of expected project cashflows, estimated investor Net Present Value/Internal Rates of Return, and a risk profile consistent with investors' expected returns.

Inspired by the success of the IPP program, the government is currently undertaking further privatization and restructuring of NPC and of the electricity industry. The Ominbus Electric Bill has been submitted to the House and will aim to ensure the total electrification of the Philippines and create the optimal participation of the private sector in power generation, transmission, and distribution. The Bill will facilitate the privatization of NPC and basically centers on de-regulation and unbundling of operations. There will be competition in generation which will be separated from transmission. This will remain a monopoly under NPC, but regulated.

With the private sector now a significant part of the Philippines electric power infrastructure sector, privatization is impressively underway. And the upcoming privatization of NPC's generating plants will further this.

2. Recommendations

In the future, the government will be more involved in the Planning & Regulating business as the new IPPs will sell electricity to a pool (i.e. a market operator) initially manned by NPC people attached to Transco (the transmission company), which itself will ultimately be privatized. With privatization of NPC, the pool will probably be run by representatives of the different IPPs. The power sector will become essentially a private sector activity with less need for government involvement. GOP activity will involve providing needed incentive and support plus monitoring, planning, regulation, and direct involvement in some limited sectors such as national resources like hydro, thermal, and natural gas power sectors which indeed could also be privatized at some time in the future if there is the political will to do so.

In this scenario, the BOT program and BOTC will likely have a reduced role in future development activities, with some opportunity to continue to attract and facilitate new investments by the private sector into the power sector, to deal with bottlenecks, assist in some policy, etc. And the Philippines government will be able to turn more of its attention to dealing with the serious problems in other sectors problems that may not be solved without government intervention and support to private-sector investors as discussed in the following sections.

B. The Transport Sector

1. Highways

Evaluation

There are currently a number of projects:

South Luzon Expressway Extension, which will support development in the CALABARZON growth area and development of Batangas Port to an international airport, is currently being awarded.

Metro Manila Expressway R-4, which will link the C-3 and C-5 expressways, is an unsolicited proposal under study and not yet bid.

Metro Manila Expressway R-5, which will provide transportation services to eastern towns of Metro Manila and Rizal province, is an unsolicited study and not yet bid.

Metro Manila Expressway R-7, which will provide access to the fastest urbanizing areas in Metro Manila, is under study and not yet bid.

North Luzon Expressway Extension is an unsolicited proposal that is being studied.

South Luzon Expressway Extension is an unsolicited proposal to Quezon province and is being studied.

C-6 (Road 6), several unsolicited proposals for the extension of various segments, are being studies.

2 Provincial Roads with National Road characteristics, unsolicited proposals are being studied.

Metro Manila Skyway Tollroad is currently being awarded.

Manila Cavite Tollroad is currently being awarded.

Most of the highway projects under the BOT program are unsolicited proposals because these projects are not on the government's priority list. While serious road congestion and limited mass transit options combine to present a strong need for major private sector investment and development in these sectors, the present reality seems to be that many highway projects that might be met by private-sector constructed toll roads, for example, are seen to be commercially unviable by potential investors for a number of reasons including estimated toll-road usage being too low in volume to provide the private sector with an acceptable return on investment.

The inherent delays in dealing with these and other transport problems are costing the country in terms of time spent traveling on the crowded streets and highways. Further hindering development here is the fact that many potential projects will require obtaining rights of way and/or removing squatters from the area before construction can even begin. Currently, the squatter problem seems to be viewed by the GOP as largely that of the private sector proponent, causing potential investors to shy away from needed projects.

Recommendations

The government may need to subsidize selected projects in any of a number of ways in order to improve each project's cash flow and improve the project's internal rate of return up to an acceptable level. For example:

- Use part of a gasoline tax to finance or supplement the revenues collected by the private operator;
- Bundle expressways that can generate an economic rate of return with economically non-viable secondary roads into one BOT project that yields an overall acceptable revenue stream;
- Offer all roads in a delineated geographical area to a foreign investor as one BOT project for investments, improvements, and maintenance and let the investor implement toll booths in such a way that he receives an overall acceptable rate of return; or
- Supplement collected revenues with a subsidy to cover the shortfall for an acceptable rate of return;
- Offer attractive assets (such as the right to develop adjacent land for commercial development purposes) to the contractor to enhance his total rate of return;

- In addition to building new roads via BOT projects, existing roads can be rehabilitated by private firms operating under concession arrangements. In Argentina, for example, 10,000 km of deteriorated national highways were turned over to private bidders who constructed toll booths and rehabilitated the roads. In the United States, two of the five Massachusetts state highway districts, into which the state was divided, were contracted out on a competitive bid basis for routine maintenance and cleaning of the state roads in those districts.

The cost of supporting these kinds of projects, through strong fiscal incentives, government cost sharing and credit enhancements for example, is no doubt ultimately less than the cost of the inevitable non-productivity associated with current and future congestion.

2. Seaports

Evaluation

Port services could offer more attraction for investment opportunities for the private sector investor if expected returns on investment could be enhanced by dealing with the barriers such as artificially-low loading rates for domestic and export cargoes, e.g.:

P 3 per ton - domestic cargoes
P 18 per ton - export cargoes
P 36 per ton - import cargoes

This is an example of how artificially-low pricing distorts sector economics. Pricing in the sector favors some (i.e., domestic shippers and exporters) but unfortunately this same practice may cripple funding that would otherwise be made available, from operating income, to modernize and expand facilities. This would limit the likelihood of significant private-sector investment due to insufficient revenues and low or negative return on investment. The result is less-than-adequate facilities and maintenance today in a sector with a strong need for private investment and private-sector efficiencies.

Recommendations

- The sector should be evaluated with regard to eliminating artificially-low pricing of services and moving as rapidly as possible toward full market pricing for these services as well as determining what incentives would be necessary to attract private investment.

- Adapt relevant aspects of the Mexican model, which privatized its port system first by decentralizing and granting autonomy to each of its twenty-one major international ports, removing them from the Ports Authority, and then inviting the private sector to take over, invest in, modernize, and manage individual terminal facilities at the ports. To maximize competition, no contractor could operate at more than one port on each of the two coasts.

3. Airports

An important beginning was made only this year with an award of a $500 million BOT project (NAIA International Passenger Terminal III) to construct an international air terminal. A number of smaller projects will probably also become feasible under the BOT program in future years.

4. Mass Rail Transit

As of June 1997, one BOT Project has been awarded in mass rail transit sector. Two other proposals are bing considered for award.

MT 3, a mass rail transit line along EDSA, the major Metro Manila corridor is being awarded.

MCX MANILA CALABARZON, an unsolicited proposal for a heavy rail commuter line running from Laguna province to Caloocan City is being evaluated.

LRT 4, an unsolicited proposal for a BTO project to build a light rail system through the heart of Manila from Commonwealth Avenue to Espana Street is being evaluated.

In addition, the team identified MANILA NORTH RAIL, a non-BOT proposal to form a joint venture between Philippine National Railroad and the Spanish company CAF for a line running from Ft Bonificio to Clark Economic Zone.

C. Environmental Infrastructure: Water and Wastewater

1. Evaluation

As of mid-1997, the BOTC had five active BOT projects in the water sector. In addition, however, there was at least one water project that had been privatized by another process (see below). Considering that the mechanism for BOT projects in water has been available for several years, this is a rather modest beginning, particularly in light of the serious problems of water supply and water pollution. The reasons for this are discussed below.

As in most developing countries, the supply of safe and adequate water is a major need and a significant challenge. The director of the Philippine Council for Aquatic and Marine Research and Development reported that in the last half century the amount of water available per capita had dropped by two-thirds. In parts of Greater Manila, for example, the water supply is frequently interrupted and only eleven percent of the population has sewer service. In many areas of the country the quality of the water poses a serious health threat. It also presents an economic threat: pollution was reported recently in Boracay, an internationally-famous resort island that receives 200,000 visitors a year. Contamination of drinking water and of the waters at the beaches is said to be caused by discharge of raw sewage from the resort hotels. This may well affect tourism, with potentially drastic consequences for the local economy. In addition to the long-term public health benefits, therefore, appropriate wastewater treatment may be highly cost-effective in the very short term in this case.

A key player in the water sector is the Local Water Utilities Administration (LWUA) which is mandated to act as a specialized lending institution for promotion, development, and financing of local water utilities (Presidential Decree #198). Although not a direct regulator, LWUA exercises supervision of and regulates the Water Districts which are themselves direct regulators and providers.

With funding from various sources including low-cost World Bank loans, LWUA has been somewhat independent from the BOTC and from privatization in general. This situation in turn may be an impediment in some ways to the water sector aggressively developing private sector projects. As the project financing needs of the water sector develop, the ability of the LWUA and various LGUs to finance projects will be strained and their ability to attract private-sector capital may be crucial — a topic that is briefly discussed at the end of this section.

The first major water project in the Philippines' "third wave of privatization", (Secretary De Ocampo's term) is taking place in Manila under the auspices of the Metropolitan Waterworks & Sewerage System (MWSS), a national corporation, which used IFC as its principal consultant and employed specialized consultants for legal, technical, and financial aspects of the undertaking. Two 25-year concessions involving an investment of $7 billion — the largest water privatization in the world — were awarded under the National Water Crisis Act of 1995 (not the BOT law). This project is aimed initially at rehabilitating and operating the water distribution system for Greater Manila, and will, in later stages, be expanded to include the development of new water sources ("bulk water") using the BOT process and the construction of new sewerage lines and wastewater treatment plants.

This case clearly demonstrates the benefits that can be realized by privatized infrastructure projects and therefore warrants further discussion and elaboration. Starting almost immediately, the tariff for water users will be reduced dramatically, by 50 percent in the western half of the territory and by 75 percent in the eastern half, according to officials of MWSS. This can be done through three principal means:

(1) The private concessionaires will be able to reduce the amount of water for which no payment is currently being received: officials estimate roughly that only 40 percent of the water currently supplied is paid for, 20 percent is pilfered through illegal connections, and 40 percent is lost through leakage. Reducing leakage means that the same basic infrastructure will supply more water that can be sold to users, and reducing pilferage means that revenue will be increased (assuming that all the water that can be supplied can be sold — a good assumption).

(2) The private concessionaires can provide better preventive maintenance, thereby increasing the effective capacity of the system and supplying and selling more water.

(3) The private concessionaires will be able to improve the operating efficiency of the system: The MWSS is significantly overstaffed at present and the work can be done with far fewer employees. The work force is said to have numbered 7,800 at the peak and was reduced previously to the current 5,400; the private operators believe they can operate the system with only 2,000 workers. This is a reasonable estimate, as experiences elsewhere (in

Argentina, Guinea, and the United States, for example) have demonstrated savings of this magnitude in the water sector.

Given the last point, it is not surprising that MWSS workers went on strike to block this project, but the direct and tangible benefits to the vast population of Metropolitan Manila outweigh the temporary change for a comparatively small number of affected workers. Besides, adequate measures were taken to cushion the impact. Nevertheless, this event should serve as a forewarning because, based on experiences elsewhere, such incidents are likely and even inevitable, and adequate attention should be paid to deal with such opposition effectively and proactively. Among the recommendations below, we offer suggestions on a suitable role for the BOT Center with respect to explaining the benefits of privatized projects to the public and gaining widespread support so that political leaders can confidently undertake such efforts.

An additional feature of the new system is that the concessionaires will bill water users and collect the fees, and have the right to turn off the water for nonpayment, a powerful feature. One can expect this to be a thorough and efficient process, thereby relating water consumption closely to payment, which should lead to more prudent use of water, with the end result being that the same physical infrastructure will be able to satisfy the water needs of more people (the existence of a modern, efficient billing system for water has interesting implications for solid waste management as well, as is amplified below). The LGU may have to make special arrangements for those who are too poor to pay for water.

If the operating improvements expected in the MWSS, which are comparable to the actual improvements already achieved elsewhere as mentioned above, are realized and are representative of improvements that could be realized in other systems in the country, an important lesson will be learned, namely, that the cost of providing clean and safe water can be much lower than it is at present in the Philippines. *This means that the current level of spending for water would provide more and cleaner water for Filipinos if it were expended through privatized projects instead of through purely public agencies.* This is a profoundly important point, because it is commonly thought that investment in water infrastructure is not profitable and therefore this sector cannot attract private capital without substantial, additional public subsidies, subsidies which cannot be afforded. The very fact that the MWSS competition attracted major firms from throughout the world and produced unexpectedly low bids demonstrates the viability of privatized water projects. Government support in this case consists of tax incentives like those granted to others, the assumption of exchange-rate risk, and the possibility of raising the tariff in certain defined circumstances.

The MWSS project obviously is not representative of other possible water projects in the Philippines because of its huge scale, and it remains to be seen how many other water projects have characteristics that can lead to successful privatization. An encouraging example is the water-sourcing plan for Baguio City, a BOT project currently in the bidding stage after submission of four satisfactory responses to the RFP. The successful bidder will design and construct the extensive infrastructure necessary to capture, treat, and bring additional water to Baguio, which is suffering from a serious water shortage it needs twice as much as it is currently getting. (Many houses rely on drums to catch and store rain water.) The private firm will sell treated water to the Baguio Water

District under a "take-or-pay" agreement, but negotiations are not yet complete and the question of guaranteeing the take-or-pay feature has not yet been settled.

Wastewater treatment (WWT) has low priority now in the Philippines, but that will change, sooner rather than later in special cases like Boracay Island. Modern WWT plants will be needed and the means to pay for them will have to be found. Fees for wastewater collection (the sewer system) and WWT (sewage treatment plants) are rarely billed or identified separately; the service is generally paid for through the charge for water. Privatized billing and collection of water fees and enforcement of payment should lead to more revenue that could be used for WWT plants in the future.

Despite the promising cases of Manila and Baguio, the stubborn fact remains that water projects are more difficult to arrange and bring to fruition than power projects, and progress will be slower. In contrast to power, for instance, water projects do not lend themselves to direct competition since electricity can be transmitted over alternative paths to the distribution utility, but water sources and aqueducts lack these characteristics and one cannot capture the economies associated with such competition. Other institutional and economic features of water systems differentiate them from other kinds of infrastructure and are obstacles to achieving economic feasibility and proper risk allocation: (1) environmental awareness and public health demands are relatively new and imply the need for new regulatory institutions, greater investments, and higher prices; adapting to these new conditions takes time; (2) the highly fragmented water industry in developing countries results in many small facilities, which are often under the control of financially inexperienced LGUs that are not credit worthy; (3) the condition and value of underground water and sewer lines is often uncertain, which means that trustworthy procedures for renegotiating tariffs and investment plans and schedules are vitally important; (4) many people are not yet fully prepared to have their water turned off for nonpayment, or to give up illegal connections, and political leaders are sometimes loath to introduce new policies along these lines.

Another factor that has contributed to the modest pace of water projects is the all-too-human fear of loss of jobs. Managers and workers in local water districts thought that BOT was synonymous with privatization, with a private firm taking over the entire operation and firing all the employees — even though the contemplated project was to develop a new source of bulk water supply and that workers would have to be hired, not fired. Because of this human factor too, projects were slow to develop.

The problem of small and highly fragmented water systems, point (2) above, is being tackled in Cavite, where all the water districts in the province are being bundled together for a single bulk water project. This should provide economies of scale and a potentially viable BOT project, which would then serve as model for some other provinces.

2. Recommendations

The BOTC should expand its "tool kit" to include all forms of privatization, not just those based on the BOT law. It has sufficient background knowledge and technical capability so that with relatively little additional internal training and preparation it could assist LGUs in water projects using whatever is the best mechanism for the particular application, as in the MWSS case. In a sense, it would become the Privatization Center, providing training and technical assistance to LGUs for all

forms of privatization. It would not, however, have any approval authority above and beyond what it may already have.

The BOTC could consider developing a public relations and public information capability to undertake an effort to explain privatization to the public and gain public support for privatization programs. The purpose would be to minimize opposition to thoughtful privatization efforts, because in local government privatization of existing activities, it can be assumed that employees may be opposed and could strike, wage a media campaign, and otherwise try to block these efforts. Political leaders can be intimidated if the groundwork has not been prepared and the benefits to the public of the proposed privatization have not been adequately explained. Sri Lanka, Zambia, and Great Britain had excellent and successful public information programs designed for this purpose.

Both law and policy should be formulated to encourage private firms, both national and foreign, to be water distribution utilities in order to create the maximum degree of competition. The MWSS case is somewhat anomalous but sets a good example, and the use of that approach should be routinized.

The law should allow LGUs (including water districts) to enter into maintenance and operation (M & O) contracts for water or wastewater systems with any qualified firm, regardless of the firm's ownership status, whether or not any expansion or rehabilitation of the system is called for. This would make it possible for LGUs to avail themselves of large savings by introducing competition into conventional public monopolies.

Regional arrangements to form "super" water districts should be encouraged, as a means of creating a critical mass that can reap economies of scale and thereby afford a better water system.

LGUs will have to set a high priority for water services and devote the necessary resources if they want to mitigate their local problems. They will have to collect enough money from their citizens to pay for the amount and quality of water they want, but unit costs can be minimized by competitive contracting, as noted above. National government support is not very likely, given the country's budget situation, except perhaps in special cases. If there is no national government support, LGUs will have to convince private firms in the water business that the latter can rely on "take-or-pay" contracts for water supply and on contracts for maintenance and operation of treatment facilities. If the need is great enough to warrant national government support, this could be provided in the form of subsidies, guarantees for take-or-pay contracts, and assumption of more of the risks.

D. Environmental Infrastructure: Solid Waste

1. Evaluation

Only five solid waste projects are in BOTC's portfolio as of mid-1997 — four landfills and one recycling center — although they have been eligible for the BOT process for several years. As people recognize that waste does not disappear miraculously, that ultimately they will have to pay for a cleaner, healthier environment, then political leaders will be able to impose and collect fees and taxes devoted to this purpose. This point is being reached and the number of BOT projects can be expected to increase.

Solid waste management (SWM) is a vexing problem for most cities throughout the world, and Philippine cities are no exception. "Metro Manila faces dire consequences if it does not deal promptly with its garbage problem" was the warning issued at a recent international meeting based on a major study that is under way. The same statement could be made about other cities as well.

SWM has three components: collection, transfer, and disposal. Solid waste collection (SWC) is relatively labor intensive as it requires door-to-door pickup and manual loading into collection trucks. Solid waste transfer (SWT) as a separate step may or may not be needed. It is needed in dense urban areas where the disposal site is far from collection routes and therefore it is inefficient to have collection trucks travel directly to distant disposal sites. Loaded collection trucks bring the waste to a transfer station where it is transloaded onto large trailers, barges, or rail cars and transported to the disposal site. Sorting and materials recovery can take place at a transfer station. A transfer station is not needed if the disposal site is relatively close to the collection routes. Transfer stations and the associated transportation infrastructure are relatively capital intensive, as is solid waste disposal (SWD), which may be at a sanitary landfill (as distinguished from an open dump, of which there are many in the Philippines) or at an incinerator, which may involve power generation. Transfer stations and disposal facilities may be regional, that is, serving several or many LGUs, generally under long-term contracts with "put-or-pay" provisions.

Just as there are many firms in the water business, there are many firms in the SWM business. The sector is highly competitive, with international firms continuously competing for collection, transfer, and disposal contracts with local governments. An LGU can unbundle the three services and contract separately with different contractors for each; this may yield lower prices than a comprehensive contract for three bundled services.

The question is how to pay for the services. People are not used to paying for solid waste removal. The common attitude is that government should automatically do it, and that it is "free," like water and air. Slowly people are recognizing that this is not so, or at least that only dirty air is free. SWM is not like water, electricity, or telephone service, however: if a user fails to pay his water, electricity, or telephone bill, the service is cut off until he pays. SWC in an urban area, however, is a collective or public good. If there is a direct charge for residential or commercial collection service and the service recipient fails to pay the bill, it makes no sense to cut off service because the waste would be thrown into the street or onto vacant land, subverting the very purpose of SWC. Therefore solid waste must be collected and disposed of at collective expense, whether individuals wish to pay for it or not. This means collecting taxes or other equivalent revenues, whatever it might be called.

Competitive contracting is the common privatization approach for solid waste services. For collection the usual term is three to five years, and the contractor provides the trucks. Payment is generally on a per-ton basis, which means that loaded trucks must be weighed where they dump their loads. It goes without saying that contractors must be monitored for performance and adherence to contract terms.

For a transfer station and for transporting the waste to a disposal site, competitive contracting is again the method of choice, with a "put-or-pay" provision; that is, the contract calls for the ability to handle, say, 1,000 tons per day. The winning bidder has to build a facility to handle this amount and will plan to enter into contracts (for trucks, barges, or rail cars) to transport the waste to the

disposal site selected by the LGU. (Obviously the location of the site must be specified by the LGU in the request for bids or proposals.) In other words, the contractor has to make a significant capital investment for this contract, and will require payment by the LGU even if the amount of waste delivered to his facility is less than the LGU anticipated. This is equivalent to "take or pay" provisions in power and water contracts. Given that the LGU has chosen the disposal site, the transportation costs are thereby determined and payment is on a per-ton basis. Scales are required at the transfer station to determine the weight of the material collected and brought there. Revenue may be generated by the transfer station if recycling or material recovery take place there.

For a disposal facility, whether a sanitary landfill or an incinerator, a competitively awarded long-term contract with a put-or-pay provision is the privatization method of choice. The private firm generally makes the entire capital investment and charges a tipping fee by weight for waste brought to the facility. The fee is paid by the LGUs that deliver their waste to the facility or have it delivered by their collection contractor. Commercial and industrial establishments may also bring their waste to the facility and pay a tipping fee. If the facility is a power-generating incinerator, and it is able to sell the power, the resulting revenue adds to the financial viability of the project.

For all three services, SWC, SWT, and SWD, the LGU pays the private contractor. These are not concessions. The contractor cannot collect fees from residents or businesses but must rely on the contracting authority, the LGU for payment. The exception is in the case of companies that self-haul their waste to a transfer station or disposal site; they are simply paying customers, just like the LGUs.

Solid waste services are among the most commonly privatized municipal services throughout the world and have been studied extensively. In particular, many authoritative studies have compared the efficiency and quality of municipal and contract SWC. The evidence is clear: competitive contracting is about a third less costly than municipal service and the quality is as good. This means that cities, which currently use municipal departments for SWC, would probably realize significant savings if they were to contract competitively for the work. *In other words, they could buy more solid waste services for the same amount of money that they currently spend.* This is the same situation as the MWSS found in the operation of its water system.

Many Philippine cities already contract out for SWC. Quezon City, for example, is divided into districts and uses twelve contractors. This is an ideal arrangement conceptually because it creates a competitive environment, diminishes the possibility of collusion among bidders, and frees the city from reliance on a single contractor.

A prerequisite for contracting SWC is a set of local ordinances that set forth rules for the public: the kinds of waste that will and will not be collected; the method of containerization (bags, cans, amounts, sizes); the days of collection in different neighborhoods; the earliest time that material can be set out for collection (to minimize exposure to scavengers, both human and animal, who scatter the garbage and trash); where the containers of waste are to be placed (e.g., at the curb); laws against littering and promiscuous dumping; and the penalties for violations. Enforcement of these rules is necessary if a contractor (or a public agency) is expected to perform satisfactorily. Olongapo is said to be one of the cleanest cities in the country, with good local ordinances along these lines and

effective enforcement. The city's solid waste fee is collected through the bill for electricity — which is convenient as the electricity is provided by the municipal utility.

2. Recommendations

The BOTC should become familiar with solid waste privatization experiences in other countries, particularly for transfer and disposal, and disseminate knowledge about the subject to LGUs, as it did with the BOT concept and procedures.

Cities should adopt the necessary local ordinances that set forth citizen responsibilities with respect to solid waste, and should enforce them. This is a prerequisite for successful contracting and for imposing a collection fee.

An LGU could impose a waste collection fee and add it to the property tax bill. Another option is to bill the fee for water or electricity, charged with the understanding that, if the solid waste fee is not paid, the water or electricity will be cut off. This would require a contractual agreement with the utility that does the billing, and presumably legislation to authorize such an arrangement. One local government official in Metropolitan Manila believes that it would be possible for his city to contract with the utility to do this, paying a fee for the billing service. In any event, the user charge can be thought of as covering the cost of all three solid waste services, collection, transfer, and disposal.

LGUs should consider competitive contracting for their SWM needs. It is likely to be the most cost-effective approach, giving them more service for the same expenditure.

The best way for an LGU to improve the efficiency and effectiveness of SWC is to organize a competitive bid and allow the in-house public agency to compete with the private sector, responding to the same bid specifications at the same time as the private bidders, with the budget or finance agency examining the in-house bid to ensure that all costs, direct and indirect, are properly included. This open and transparent approach puts management in a strong position if the public employee unions agitate to keep the work in-house after they lose to a private firm in a fair competition. The issue is not public vs. private but monopoly vs. competition.

Subdivisions and homeowner associations should be encouraged to contract for private SWC service but they should not then be charged a solid waste fee by the LGU.

LGUs will have to set a higher priority for solid waste management and devote the necessary resources if they want to mitigate their local problems. If there are no national government guarantees, LGUs will have to convince private firms in the solid waste business that they can rely on put-or-pay contracts and on contracts for services rendered. If the need is great enough to warrant national government support, this can be provided in the form of subsidies, guarantees for put-or-pay contracts, and assumption of more of the risks.

E. Other Sectors

1. Evaluation

It would be regrettable if the nationalizations under President Marcos, reversed by privatization under Presidents Aquino and Ramos, were to be succeeded by creeping "municipalization" under President Ramos in the name of privatization. Yet this is what seems to be happening, however innocent the intent. Some local governments want to enter into ordinary commercial ventures, which means intervening in markets, subverting market forces, and otherwise moving in the exact opposite direction from the basic philosophy of the privatization program.

As of mid-1997, 94 proposals for BOT projects had been received by the BOTC from LGUs. After preliminary screening, 23 projects were identified for follow-up; they are listed in Appendix G. Two projects of the 23 have been completed and one is in negotiation, leaving 20 on the short list for further examination. Nine of the 20 were for public markets (6) or other property development plans (3); five were for water; four were for solid waste; one was for a slaughterhouse, and one for a minibus and jeepney terminal. The following table shows the status of each project by type.

Short List of LGU BOT Projects				
Type of Project	Project Status			
	Completed or under negotiation	Being Developed	Other	Total
Public market only	1	1		2
Public market and commercial	1	1	3	5
Commercial property alone		3	1	4
Slaughterhouse		1		1
Minibus and jeepney terminal		1		1
Water and wastewater		3	2	5
Solid waste	1	2	2	5
Total	3	12	8	23

The striking thing about this table is that most of the projects, 13 of the 23, are commercial ventures and only the ten water and solid waste projects involve public (collective) goods. That is, public markets, commercial buildings, the slaughterhouse, and the minibus and jeepney terminal are all intended to serve strictly market transactions and all could be provided or constructed without government involvement at all, except for zoning and city planning issues. The private sector routinely builds and operates stores, food markets, supermarkets, shopping centers, office buildings, and commercial complexes, and slaughterhouses and bus terminals as well. One can ask why the government, national or local, should spend time, energy, or money on activities that a market economy routinely provides without government intervention?

Consider the proposed public markets. Why cannot the vendors make their own arrangements, that is, form a cooperative or consortium, buy the necessary space, and construct a building to their

specifications? Why should government be in the business of building and operating markets? The very concept is anomalous in the context of a program that promotes privatization and a market economy, and some may even consider it laughable in light of the spectacular failure and collapse of socialism. It would be ironic if a program aimed at privatization and intended to increase the role of the private sector in providing necessary public services were used to involve government more heavily in profitable private businesses.

Various reasons or excuses are offered (often forgotten) to justify LGU involvement in public markets:

(1) There is a long tradition of public markets as a proper function of government;

(2) Existing markets are dirty and more hygienic facilities are needed;

(3) It is a way to provide food at low cost for poor people;

(4) The public will like a new market and will reward the politician who can claim credit for it;

(5) The vendors who make money in the public market and have political power want the LGU to build them a nice, new place of business at little or no cost to themselves;

(6) If the public market is properly packaged with other commercial development alongside or above it, the joint facility becomes an enticing new source of revenue for a hard-pressed LGU.

Each of these arguments can be countered or refuted as follows (the numbers match the numbers above):

(1) The tradition of public markets is, in large cities, a relic of a rural past. Going to the weekly market is no longer the way urban dwellers shop. The public market has largely been replaced by the local store and the supermarket. This may not be a representative observation but, in a recent visit to the new public market on the ground floor of the frequently cited Mandaluyong Marketplace, surprisingly few customers were seen while the new shopping center on the upper floors was teeming with people.

(2) A concern for hygiene should lead the LGU to give much higher priority to solid waste management and to sewers and wastewater treatment than to public markets. Besides, supermarket foods are more hygienically packaged.

(3) Do the low rents charged to vendors in government-run public markets result in lower prices for food of equivalent quality, or merely in higher vendor profits? Are people going hungry because there is no public market nearby?

(4) The public will like any new, modern, attractive, convenient, affordable shopping facility regardless of sponsorship, and a political leader can always claim credit for anything good that occurs during his or her term in office.

(5) Why should the LGU subsidize some vendors and not others? There are numerous private markets throughout the community serving the same clientele as the public markets. In Makati, for example, just before the bridge to Pateros and immediately adjacent to the usual sprawling sidewalk market is a cooperative market. Such entrepreneurism can be fostered and encouraged by sound policies on the part of the LGU without its direct involvement.

(6) There is potential for a serious conflict of interest here. If an LGU becomes, in effect, a partner in a public market business, what happens if an entrepreneur wants to start his own private market nearby without any government assistance? If he succeeds by providing better goods and services at lower prices in a more appealing environment, and draws customers away from the original public market, the LGU's revenue will decline. The LGU may be tempted to prevent or discourage the entrepreneur by holding up zoning approval, finding obscure violations of the building code, forcing bureaucratic delays, holding up the certificate of occupancy, and a myriad of other ways that local government can thwart new businesses. Instead of an impartial protector of the public interest, the LGU can become a fearsome rival, competing against its own citizens. Yes, in the short term the LGU might make money by going into this business. But then why not go into the hotel business? Major source of revenue for city governments in the socialist countries were the retail establishments, which the city governments owned and operated. But the goods and services were poor in quantity and quality and were getting worse until the system ultimately collapsed. New mechanisms for municipal finance may be needed, but getting into commercial activities should not be one of them.

The basic principle is that government should not be involved in projects where market forces can do the job. It would be ironic if a program aimed at privatization and intended to increase the role of the private sector in providing necessary local government services, were used to get government more heavily involved in private, for-profit businesses.

In a couple of cases the proposed BOT project calls for a government office building to be constructed together with a public market. Such a project might best be viewed as an ordinary, private, real-estate development with the developer seeking the government as a desirable tenant with a long-term lease. This is a good candidate for a public-private partnership. There are other imaginable situations where the BOT process could be used effectively for public purposes in a way that does not call for inappropriate intervention in the development market. For example, a public school was built as part of a commercial complex in Dallas, Texas.

A final warning note: other countries are selling their state-owned slaughterhouses as part of their privatization programs; does the Philippines want local government to *enter* this business, as part of *its* privatization program? Caution is called for lest the third wave of privatization be perverted beyond recognition.

2. Recommendations

The BOTC should actively discourage projects of this type, that require inappropriate government intervention in the marketplace.

The BOT law should be revised or interpreted to apply only to projects whose principal component is clearly a public good, that is, one that the marketplace unaided cannot provide.

Given the pressing need for local environmental infrastructure, LGUs should be encouraged to focus their BOT initiatives in those areas and leave market-responsive development efforts entirely in the hands of the private sector, restricting government involvement to its usual regulatory function.

A good way to deal with the issue of public markets, commercial developments, bus and jeepney terminals, and other real-estate development projects may be for the LGU to sell land that it already owns if it is in a suitable location. The land could be auctioned to the highest bidder or sold by negotiation or given away to the selected group, vendors for a public market, jeepney owners for a terminal, etc. If the city government does not own an appropriately situated parcel of land, as a matter of sound city planning it could exercise eminent domain and take suitable land for a terminal.

F. Cost and Risk Sharing and Other Financial Issues

1. Need for Government Support

Important future infrastructure projects in the Philippines are likely to need support by the government if they are to be successfully concluded within an acceptable time-frame as is the case with the power sector. The government's efforts and resulting programs must be carefully crafted in infrastructure sectors such as water, solid waste, roads, mass transit, and ports. The problems typically involve:

a) Revenues that could be expected from consumers of services like toll roads in remote, low-to-medium traffic volume regions are estimated to be insufficient to generate in an acceptable return to the investors, yet could be desirable now for social and development purposes;

b) Even if prices were somehow made high enough, collection of receivables from consumers is often so poor (like garbage collection, for example) that revenues are insufficient to generate an acceptable return to investors;

c) Charges for services by some state-owned organizations like (the Port Authority's loading charges for domestic and export cargo) are so low that the private sector is unlikely to invest due to inadequate expected return on investment.

The key element in bringing needed financing to a project is to structure the project so that it is attractive to investors, as was done in the power sector. In free-market economies, capital (i.e., the non-subsidized component) will go where the risk/return profile meet investors' expectations. The power sector worked because the government enhanced the project financing profile as required, offering capable private sector firms the opportunity to provide power to a creditworthy buyer under terms that produced attractive returns and that met the investment appetites of lenders and equity investors.

The required government support is that which is necessary to complete socially desirable projects. A Net Present Value or Internal Rate of Return that is below the investor's requirements can be

enhanced by increasing project revenues (or cash inflows) and/or decreasing project costs (or cash outflows) which in turn may be accomplished by, among other things, government subsidies such as providing the project with tax relief, subsidies/fees paid by the government or others directly to the project, etc.

2. Financial Constraints

The existing financial environment in the Philippines clearly presents some constraints to future infrastructure development. These include:

Current and Future Peso Weakness

The recent and possible future depreciation of the peso against the currencies of foreign investors (such as the US dollar, Japanese Yen, German Mark and other strong currencies) is a factor the BOTC must address since it will affect the interest of investors to undertake future infrastructure projects. Specifically, it can be expected to affect the expectations of foreign investors to obtain GOP support that will adequately guard against future currency losses i.e., translation losses on their foreign currency balance sheet debt, transaction losses which occur when foreign currency debt is repaid with depreciated pesos, and lower foreign-currency values for peso profit remittances to the parent company abroad.

As it calculates the suddenly-increased peso cost of paying Independent Power Producers in strong foreign currencies for electricity, the government may be inclined to eliminate in future contracts their currency-risk support for foreign investors. Yet, private investors and their lenders, now more than before, will be seeking this or some other GOP support to mitigate their own foreign exchange risks created both by borrowing foreign currency to finance their projects and paying in foreign currencies to import into the Philippines the capital equipment needed for their projects.

As the BOTC continues to voice to the government the legitimate business interests of private and foreign investors, the need for currency-risk mitigation such as discussed above will remain an important issue, particularly if potential private investors anticipate a gradual depreciation (i.e., continued floating) or periodic future devaluations of the peso against the currencies of investors. The ability and willingness of the government to continue to provide some form of support seen as adequate by investors to deal with their possible currency losses. This will have an impact on the overall infrastructure development and on the BOT program.

3. Financing Infrastructure Development

In the Philippines as in many countries, the difficulty of IAs and LGUs in accessing private sector financing is a constraint on undertaking development projects. And to some extent, the relatively undeveloped capital market is a component of this constraining financial environment.

This issue of developing and institutionalizing long-term financing for infrastructure projects at the LGU level is being addressed by another USAID-financed study being carried out by Mr. Carlos B. Gavino. Dealing with this issue in this report has been limited by both time and the fact that Mr. Gavino has been out of the country and therefore unavailable to the team during the period when this

report has been prepared. From various discussions and our review of his scope of work, one of the major focuses is on "assessing the present sources, availability, and terms of long-term financing of infrastructure projects, particularly from private sector" and on "developing and promoting long-term financial instruments for infrastructure projects such as municipal bonds, special infrastructure funds, municipal credit instruments, and leveraged leasing".

In developing countries, the problem is often not so much the lack of a capital market or of sufficient capital as it is the lack of good investment opportunities for the capital. Money flows where the investment terms are acceptable, and the most developed capital markets in the world cannot be expected to invest debt or equity capital where the risk is too high or where the risk/return relationship is not attractive.

The need for continued government support and credit enhancements to projects and borrowers seems clear. It is recommended that Mr. Gavino's findings be reviewed and evaluated closely and that support be provided for appropriate credit enhancements and for developing appropriate financing infrastructure as warranted by his and other related studies and findings.

4. Government Cost and Risk Sharing

A policy decision to accelerate and expand private sector investment in important non-power infrastructure sectors will no doubt require a commitment to cost and risk sharing, recognizing that many LGU environmental and transport projects for example are, without support, only marginally or sub-marginally financially viable.

Risk Sharing

Risk sharing encompasses various kinds of credit enhancements involving contractual obligations of the government to, for example, guarantee performance of other government entities (like the take or pay obligations of the NPC) , to adequately cover some of the market risk, credit risk, foreign exchange risk, and sovereign risks faced by private investors, etc.

In highways, project revenues during the early years might be enhanced by a subsidy paid by the government, financed perhaps by a tax on gasoline. As in the power sector, the basic rationale for providing such government support for critical highway infrastructure development would be based on the premise that the cost of congestion to the efficient operation of the economy is greater than the cost of providing the support. And similarly, the cost of providing this government support to the private sector investment is less than the cost of the public sector doing the project.

Cost Sharing

Cost sharing can be emphasized in sectors/projects where the government can contribute land or some other asset which will have no out-of-pocket cost to the government (although there may be an incremental opportunity cost of not selling the land or asset to the private sector, if that is a possibility). This could apply to contributing land for roads and highway construction, as sites for plants to be built or for sanitary landfill projects, etc.

PW and the BOTC are currently developing sectoral templates and an objective of this should be to identify the level of government support required in each sector. This need for future cost sharing may also be a subject for further study by the BOTC, PW, or an independent contract.

SECTION VI. ADEQUACY OF BOT CENTER RESOURCES FOR THE LOCAL GOVERNMENT INFRASTRUCTURE PROGRAM

A. Evaluation

The BOTC training program aimed at LGU personnel has been very successful, judging by the growing number of project proposals initiated by program participants. Almost a hundred proposals were submitted through mid-1997 which, after initial screening, yielded 23 that merited further processing.

BOTC personnel review proposals, talk with proponents on the telephone, and work with them at their sites. Given the nature of travel in the Philippines, such technical assistance is very time consuming as well as labor intensive. The work is handled at present by a total of about 3.5 people: two full-time employees of the Center and three roughly half-time from the Price-Waterhouse team. BOTC staff and PW staff are thoroughly integrated in their work, and two-person teams, one from each party, often make field trips.

This staffing is very light considering the growing work load. This has been recognized and planned for, and the BOTC personnel complement assigned to LGU work is to be doubled to four in the immediate future, for a total of 5.5 professional staff assigned to this task.

Productivity improvements should amplify their efforts and enable them to provide more help and deal with more requests per person and per hour: based on experiences with the various proposals they have been handling, the joint (BOTC and P-W) LGU team is developing check-lists and other standardizing procedures so they can handle more requests for assistance by telephone and by fax. The combination of the planned additional staff and the expected productivity increase should be sufficient for some time to handle the traditional work load, that is, the work load of the type coming in today as a result of the training provided earlier.

Our sectoral analysis in Section V, however, calls for an expanded role for the LGU unit at the BOTC, a role that presents new requirements. Two new kinds of capacities are called for in the recommendations discussed above, municipal privatization and public information.

If the BOTC assumes the recommended broader responsibility and the LGU unit there becomes, in effect, a center for municipal privatization, training will be needed for existing staff and one or two new staff members with backgrounds in municipal privatization would have to be added.

If the BOTC assumes the recommended broader responsibility with respect to public information and public relations, and undertakes an aggressive pro-active program to gain public understanding and support for municipal privatization programs, then an appropriately qualified staff member would have to be recruited. He or she would probably have to be supplemented by a senior professional brought on as a consultant, not necessarily full-time but in the context of particular advertising campaigns. It is necessary to stress again the importance of an effective and early program along these lines to overcome the strong and perhaps sometimes violent opposition that can be expected in the course of privatizing existing municipal functions. The MWSS strike is a harbinger of things to come, but the outcomes of sound municipal privatization efforts are so beneficial to so many people, that it should not be difficult to gain an early advantage and keep it.

B. Recommendations

1. With the planned addition of two professionals to the LGU unit of the BOTC, and with continued technical assistance at the current level of effort and of the current type and quality, the Center will be adequately staffed to handle the expected work load of BOT project proposals of the type being generated currently by LGUs.

2. If the BOTC's mission is expanded and the Center becomes a full-service, technical-assistance center for municipal privatization, as is recommended, a one- or two-week training program will be required for Center staff assigned to LGU work, and one or two people experienced in the full range and nuances of municipal privatization will have to be added, possibly replacing staff heretofore assigned to work with Implementing Agencies of the national government.

3. If the BOTC is charged with the responsibility for designing and conducting a public information program in support of privatization, as is strongly recommended, a full-time qualified professional with public relations credentials will have to be added, and he or she will have to be supplemented as required by a consultant in this field.

4. Strengthening the BOTC, as recommended above, need not mean a corresponding growth in the BOTC as a whole if the work on IA is curtailed, as the work with LGUs assumes a higher priority in the national program.

SECTION VII. A REGIONAL BOT CENTER

A. Evaluation of Alternatives

1. BOT Center for Training and Technical Assistance in Other Countries

During its brief three-year existence, the BOTC has already managed to establish a solid reputation as a center for training and technical assistance for BOT project development managers. This expertise can be made available to other Asian countries interested in establishing their own BOT program for private investment participation in infrastructure projects. Training and technical assistance could also be provided to personnel to carry out the functions of a BOTC in their own country. For this purpose, the BOTC could set up a training and technical assistance program for other Asian countries at its own facility in Manila, where other countries would send their personnel. Additionally or alternatively, the Philippine BOTC could send its personnel to other Asian countries requiring such assistance on a temporary basis to set up workshops there or to train personnel "on the job" while developing BOT projects or other bid projects.

A geographical expansion of the BOTC training and technical assistance program would entail an additional workload. The amount of additional funding and personnel required will depend on the demand for training and technical assistance by other Asian countries. After initial funding during the start-up period, technical assistance to other Asian countries should become self-sustaining from the fees collected for such services. If the demand remains so small that the revenue generated does not cover the cost of maintaining this Asian extension of BOTC activities, then it may not be worthwhile to continue to offer these services in other Asian countries.

2. BOT Center for Promotion of Private Investments in Other Countries

The BOTC in the Philippines could also be expanded to help other Asian countries attract private investments in infrastructure projects in their countries under a BOT program. Under this alternative, the existing BOTC would make all its services available on demand also to other Asian countries. Its promotional efforts to attract private investment to government infrastructure projects would include not only the Philippines, but also other Asian countries that demand these promotional services from the BOTC.

The Filipino personnel at the Center would have to demonstrate its impartiality in promoting private investments to all Asian countries included in the BOT program in an attempt to overcome suspicions that the BOTC in Manila would preferentially or primarily work to attract private investors to infrastructure projects for the Philippines. It appears doubtful that these suspicions can easily be overcome. Demand for such services by other countries would, therefore, likely remain relatively small. In this case, funding and staffing requirements to provide these additional services by the Philippine BOTC will depend on the size of future demand for promotion in addition to training and technical assistance. It is not clear what the Philippines have to gain from facilitating BOT programs in other Asian countries.

3. A Complete Regional BOT Center

A third alternative would be to set up a truly regional Asian BOTC fully staffed, funded, and managed on a regional basis, that is, by all of the Asian countries opting to be members of the

Center. Such a Center could be set up and initially or partly funded by some regional or even global institution, such as the IFC, World Bank, or USAID. The location of a regional BOTC could but need not be in the Philippines. The Board and the management of a regional BOTC would be composed of nationals from the member countries rather than exclusively from the Philippines. The staffing would be drawn from the member countries and the BOT program would serve all member countries.

The creation of a regional BOTC could absorb the proven, experienced personnel of the Philippine BOTC. This personnel could train inexperienced personnel hired from the other member countries.

B. Recommendation

It is recommended that the first alternative be chosen in expanding the capability, staffing, and funding of the Philippine BOTC to provide training and technical assistance on demand to other Asian countries.

The decision to create a regional BOTC should be postponed until it becomes clearer that a regional BOTC would be desirable, acceptable, viable, and needed. Other Asian countries should first demonstrate that they plan to develop future infrastructure investment projects with private sector participation on a BOT basis. A number of Latin American and other developing countries have chosen diverse alternative investment vehicles, such as direct privatization of utilities and other state monopolies in infrastructure, rather than the BOT approach. They have often merged foreign investment promotion in infrastructure with foreign investment promotion generally and with the authority granting fiscal incentives and government guarantees to foreign investors in diverse sectors.

Should Asian countries follow the Latin American approach of opening the economy wide to private investment and to foreign investment on a non-discriminatory basis, then a broader approach to private investment promotion than the BOT basis may well prove more effective and a regional BOTC may not be necessary.

After trust and success has been established by the Philippine BOTC providing training and technical assistance to other Asian countries, then a more extensive cooperation or a regional BOTC may become acceptable. This development is not likely, however, because the different Asian countries, including the Philippines, will see themselves in competition for attracting foreign investment and may, therefore, not want to contemplate a regional BOTC where promotion of foreign investment to one country is left in the hands of a manager from another country. Latin American countries have cooperated on regional free trade agreements and uniform rules for non-discriminatory treatment of foreign investment, but these countries do not contemplate setting up a regional investment promotion agency. Instead, they complain of losing foreign investors attracted by greater benefits offered in competing neighboring countries.

SECTION VIII. PARTICIPATION OF U.S. FIRMS IN BOT PROJECTS

A. Transparency and a "Level Playing Field"

The importance placed on fairness and transparency of dealings between the various government agencies and the private-sector has been evident in the Philippines since the administration of President Aquino and continues to be emphasized by the current administration. The US businessmen interviewed for this report said that they believe the government has done a good job in this area and that a fair playing field and transparency in transactions does appear to exist to a satisfactory degree for U.S. firms.

It was pointed out that the fairness and transparency issues are sometimes related to efficiency and clarity in the BOT process. The lack of these characteristics to some extent in the early period of the BOT program has been largely dealt with by the 1995 modifications of the BOT Law which offered investors a clearer, faster, less bureaucratic process that made known to all investors — large and small, national and foreign — the rules, the process, and a clear understanding of the costs that would be involved in evaluating and participating in a project.

Some events have occurred that have raised concerns over fairness, discrimination, and transparency issues. In some cases bid preparation is not done carefully enough and bid instructions may not be clear to potential bidders. Also, bid preparers do not always foresee the possible contingencies. Any of these can create the need for post-bid negotiations which can interfere with perceptions of fairness and transparency. For example:

a) The Manila Hotel privatization has given cause for concern from foreign investors. The supreme court ruled that a local group should be awarded a 51 percent stake in the historic hotel, over the higher bid of a Malaysian group. This had an obvious impact on the question of discrimination against foreign buyers in the country. The problem could and should have been avoided by the government declaring from the outset that the historical landmark character of this particular privatization meant that only bidders with majority Philippine ownership and control would be permitted to bid.

b) Subic Container Port Operations bid was conducted with problems and the Ramos administration was required to step in to rebid the project.

Our interviews indicate that if discrimination does exist, it is not specfically directed toward U.S. firms. Rather, the general environment for U.S. business interests bidding on and undertaking BOT projects in the Philippines may be characterized as having a fair chance to win attractive contracts and undertake desirable projects. A survey of U.S. firms which have worked with the BOTC on BOT project development was done in early 1997 by the U.S.-ASEAN Business through the American Chamber of Commerce of the Philippines. The results were favorable toward both the BOT program and the BOTC as providing valuable assistance to these U.S. firms.

B. Impact on U.S. Investments and U.S. Exports

The Philippines imported over $6.1 billion of U.S. goods in 1996, representing about 20 percent of total Philippine imports last year. And since the BOTC was set up in 1994, total US exports to the Philippines increased by over 57 percent from $3,888 million to $6,125 million in 1996.

According to the U.S. Department of Commerce, the U.S. is the largest equity investor in the country accounting for about one third of total foreign investment. At the end of 1996, the 44 BOT projects awarded or completed amounted to $8.5 billion of which the US business share is estimated at 15.6 percent or $1.33 billion

Below is a summary as of June 1997 of the BOT projects having US companies as proponents. Nearly all of the participation by US firms has been in the power sector (see Appendix K for a complete listing giving the project name, agency involved, name of the US company as proponent, BOT/variant scheme used, construction period, and estimated project cost).

Project Status	# of Projects with U.S. Firms Involved	Estimated Project Cost
Completed Projects	9	$1,689 million
Awarded & under/for construction	5	$1,163 million
Under public bidding	0	0
Unsolicited/price test/ negotiation	2	$706 million
TOTAL	16	$3,558 million

SCOPE OF WORK—EVALUATION OF THE BOT PROGRAM

Background: USAID has been supporting private sector investment in public infrastructure through support to the Philippine Infrastructure Privatization Program. In recent years this has been primarily through provision of technical assistance to the CCPAP BOT Center. USAID involvement began in 1990 when they funded a study to develop a private power model for the National Power Corporation. It was found that this model was more effective than the original BOT law (RA 6957) which was enacted in 1990. In recognition, a more liberal BOT law (RA 7718) was passed in May 1994 which is now the primary vehicle for implementing BOT projects. The Implementing Rules and Regulations (IRR) which were released in August 1994 are now under revision to allow for greater efficiency in the BOT project development process and to eliminate conflicts with other legislation.

Since 1994, the BOT Center has been the focus of BOT promotion and support in the Philippines. Their role has been to support the national implementing agencies in the use of BOT by providing training and specialized technical assistance. Because of the specialized nature of this leading-edge work, USAID has provided support to the BOT Center since 1994 until the present through two technical assistance contracts with Price Waterhouse. The present contract is scheduled for completion in February 1998.

Over the last several years there has been a shift in emphasis in the project sectors. During the beginning of the program, the efforts were directed solely at the power sector in response to the crisis caused by a shortage in electrical generating capacity. Beginning in 1994 the emphasis shifted to transportation projects as the energy agencies through experience could manage BOT projects without external assistance and transportation problems in the Manila region became the priority of the national government. At present, a further shift is occurring to address local government needs for environmental infrastructure, in particular, water supply and solid waste management. The present contract with Price Waterhouse which began in February 1996 for a two-year period reflects this emphasis. The activity at the LGU level is in great part driven by the Local Government Code of 1991 which delegates authority and responsibility for local infrastructure to the municipalities. A key issue is the availability of finance and USAID has responded through the GOLD project and by funding a host country contract for a municipal finance advisor to the CCPA. The BOT Center has been asked to provide assistance to the municipalities to promote local infrastructure. The environmental infrastructure will require greater efforts as the Local Water Utilities Authority (LWUA) slowly begins to understand the value of BOT as a means of mobilizing private sector capital. Solid waste management is also attractive for private sector involvement but the issue of lack of fee collection by the municipalities hampers its feasibility. At the same time, the BOT Center has been requested to support private/public sector partnerships for information technology, specialized medical care, industrial estate development and tourism.

The United States Asia Environmental Partnership (US-AEP) has also requested assistance from the BOT Center to provide technology transfer to ascent BOT technical assistance organizations in other countries of the Asia region. In particular, India, Indonesia and Taiwan have asked for assistance from the BOT Center. This is in recognition of the Philippines as the leader in Asia for promotion of public/private partnerships for infrastructure development. In response, the formation of a BOT Institute is in its planning stages.

The BOT Center will continue to play an important role in the promotion of private sector involvement in public infrastructure over the next several years. Recognizing that USAID's technical assistance support to the BOT Center is scheduled for termination in February 1998, it would be useful to determine the effectiveness of this assistance beginning with the establishment of the BOT Center in 1994 and to evaluate future needs including the identification of priority areas of our assistance.

Scope of Work: The evaluation team will work in close collaboration with the BOT Center. A representative to the Team will be designated by the BOT Center for this purpose. The evaluation will be directed primarily at the BOT Program and secondarily at the quality of technical assistance provided by USAID-funded contractors. The team will generally evaluate the program beginning with the establishment of the BOT Center in 1994. The following specific aspects of the program will be addressed:

1. How effective has been the BOT Center been in promoting public/private partnerships for infrastructure. What have been the constraints. Are there problems which require legislative action which hamper the promotion of BOT. Has the USAID-financed technical assistance been effective. Have contract objectives and targets been met.

2. As the BOT Center directs its efforts at promoting BOT for local level infrastructure, do they have the resources to effectively carry this out. Are there critical constraints which need to be addressed, possibly municipal finance, to enable increased private sector participation at the local level.

3. After power, transportation and environmental infrastructure what other sectors should be addressed and in what order of priority. Concerning environmental infrastructure, what can be done to accelerate performance; what are the constraints.

4. If the BOT Center is to become a source of technical assistance for the Asian region, what are the implications for staff, budget and organizational structure.

5. Provide a listing of BOT projects in the Philippines by sector broken down to indicate those which are completed, under construction and under active planning. For those that are completed or under construction identify the financial portion involving U.S. firms.

Staffing: It is expected that the above scope of work (excluding finalization of the report) can be completed in six weeks by two full-time staff. All work will be performed in the Philippines. Final report production can be from another location if appropriate.

Deliverables: After three weeks of Delivery Order start date, the team will produce a preliminary draft report which shall provide tentative findings. Eight copies of this report will be provided to the USAID Project Officer in Manila. Copies will be distributed to the BOT Center and Price Waterhouse, the present technical assistance contractor, for their comments. USAID will integrate all comments and provide them to the evaluation team within one week. At the end of the fifth week the evaluation team will submit a draft final report (eight copies) to USAID and simultaneously provide a presentation of results to USAID, the BOT Center and Price Waterhouse. By the end of

the sixth week, USAID will provide comments on the final draft report. At this point the team may demobilize and the final report will be provided to USAID from the firm's home office within two weeks. Twenty copies of the final report will be provided.

EVALUATION TEAM

Siegfried Marks—Team Leader and Energy and Transportation Expert

Mr. Siegfried Marks is a senior research economist with many years experience on a wide range of projects in energy, transportation, and economic policy reforms. He has worked for USAID, the Word Bank, governments, the private sector, and universities. His experience includes analysis and policy recommendations relating to legal and regulatory reform, privatization, investment and export promotion, de-regulation, sectoral analysis, market studies, comparative cost analyses, trade liberalization, and evaluation of public institutions and private sector organizations. Recently, Mr. Marks was the team leader for an USAID-financed project designed to develop options for privatizing the port operations of Egypt. He also developed a new private investment incentive law for Haiti, a plan to privatize the oil industry in Ukraine, and detailed proposals to remove legal and policy impediments to private investments in Egypt, Israel, Morocco, Tunisia, and Turkey. Mr. Marks is the President of Miami-based consulting firm, Sigmar International, Inc. Previously he was the Chief Economist for Latin America and the Caribbean for Exxon Corporation.

Thomas Nein—Finance and Privatization Expert

Mr. Thomas Nein has twenty five years experience in corporate finance and management. He successfully concluded assignments in the U.S., Europe, Latin America, and Egypt in banking and corporate financial management, privatization, banking, and restructuring, mergers and acquisitions. He is an experienced financial executive and consultant with strong transaction management, analytical, training, negotiating and organizational background. He develops and conducts seminars and workshops on corporate financial management, valuation, restructuring, and project finance, and has assisted the Latvian Privatization Agency in initial public offerings and financial restructuring and the Government of Egypt with merger and acquisition projects. Earlier, he was the president of Tenneco's European Finance Company and worked with Citibank in various financial positions.

E. S. Savas—Local Environment Infrastructure Expert

Dr. E. S. Savas is an international known authority on privatization and author of six books and ninety-seven articles on privatization, including *Privatization: the Key to Better Government* which was published in twelve foreign editions. Dr. Savas has been a consultant and advisor to the UN, UNDP, UNIDO, ILO, OECD, World Bank, USAID, USIA, and the US Presidential Commission on Privatization. As consultant to various U.S. and international organizations, he conducted research studies and lectures on all aspects of solid waste management. He is a Professor of Public Policy and Director of the Public Policy Program at Baruch College, City University of New York as well as Professor of Management and Founder and Director of the Privatization Research Organization. Earlier, he served as Assistant Secretary at the Department of Housing and Urban Development in the U.S. Government; as Deputy City Administrator in the Office of the Mayor of the City of New York; and as Manager of Urban Systems at IBM Corporation.

LIST OF INTERVIEWS AND MEETINGS

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Appendix D

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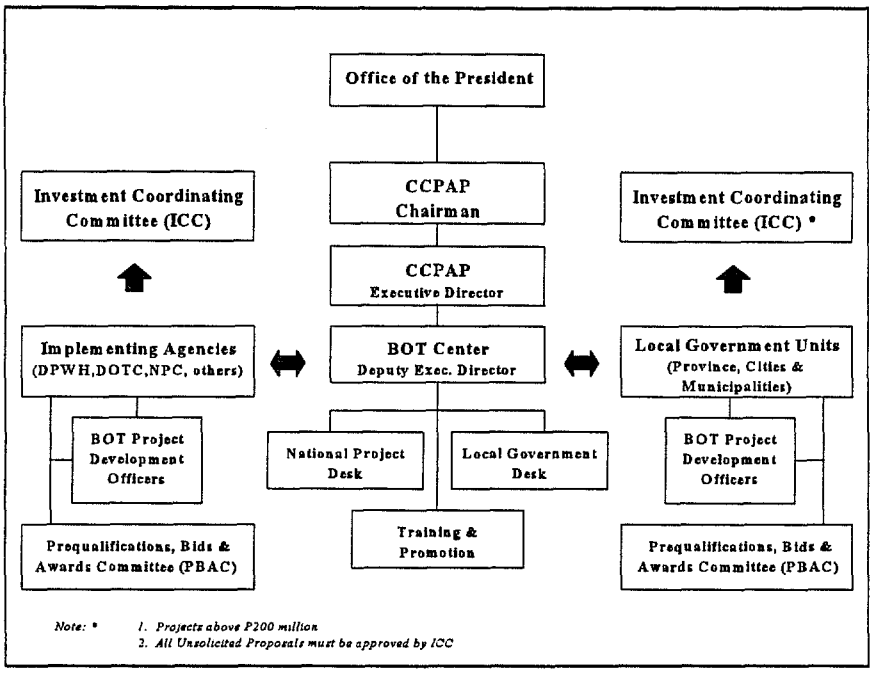
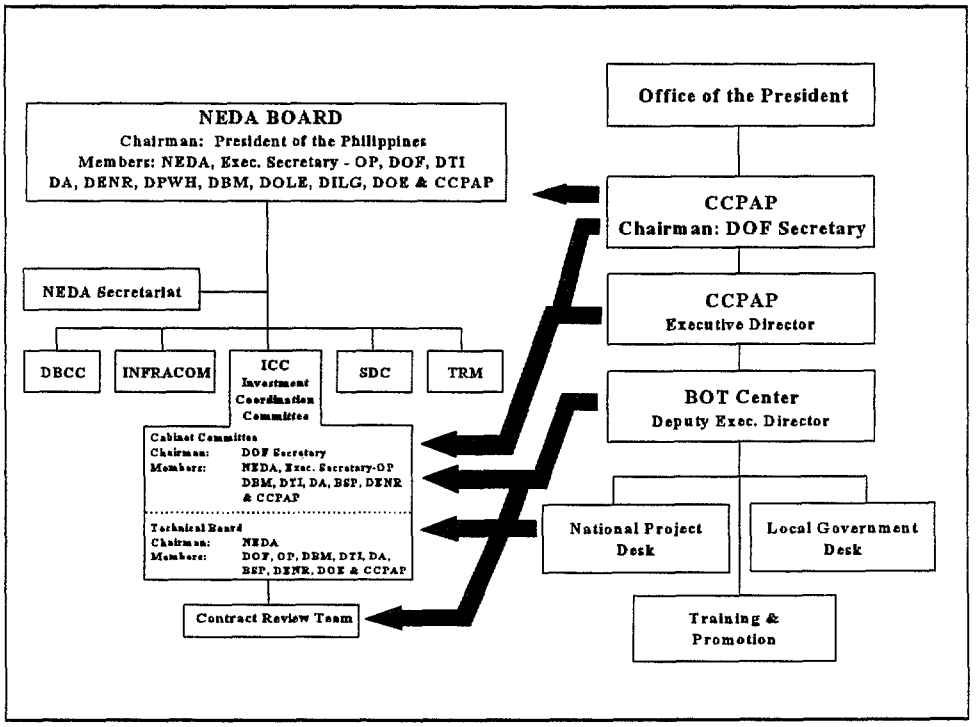
BOT ORGANIZATIONAL CHARTS





BOT CENTER NATIONAL PROJECT LIST

Completed Projects

Project Name	Agency	Proponent	Scheme	Commercial Operation	Project Cost in U.S. $ Million (Estimated)*
1. Navotas Gas Turbine 1-3	NPC	Hopewell Holdings, Ltd. (Hong Kong)	BOT	1991	210
2. Benguet Province Mini-Hydro	NPC	Hydro Electric Dev. Corp. (Philippines)	BOO	1992	22
3. Submic Zambales Diesel Power Plant I	NPC	Enron Power Corp. (USA)	ROL	1993	28
4. Toledo Cebu Coal Thermal Plant	NPC	Atlas Consolidated Mining & Dev. Corp. (Philippines)	ECA	1993	55
5. Navotas Gas Turbine 4	NPC	Hopewell Int'l Ltd. (Hong Kong)	BOT	1993	100
6. Limay Bataan Combined Cycle Gas Turb ine Power Plant Block A	NPC	ABB/Marubeni/Kawasaki Consortium (Swiss/Japan)	BTO	1993	300
7. Gas Turvine Power Barges	NPC	Hopewell/Tileman Ltd. (Hong Kong)	ROL	1993	270
8. Clark Air Base Diesel Plant	NPC	Electrobus (Philippines)	ROL	1993	50
9. Pinamucan, Batangas Diesel Power Plant	NPC	Enron Power Corp. (USA)	BOT	1993	105
10. Iligan City Diesel Plant II	NPC	Alsons/Tomen (Philippines/Japan)	BOT	1993	58
11. Binga Hydro Power Plant	NPC	Chiang Jiang Energy Corp (China)	ROL	1993	100
12. Calaca Batangas Diesel Power Barges	NPC	Far East Levingston (Singapore)	OL	1993	90
13. Limay Bataan Combined Cycle Gas Turbine Power Plant Blaock B	NPC	ABB/Marubeni/Kawasaki Consortium (Swiss/Japan)	BTO	1994	300
14. Iligan City Diesel Plant II	NPC	Alson/Tomen (Philippines/Japan)	BOT	1993	40
15. Makban Binary Geo. Plant	NPC	Ormat Inc. (USA)	BTO	1994	16
16. Subic Zambales Diesel Plant	NPC	Enron Power (USA)	BOT	1994	108
17. Naga Thermal Plant Complex	NPC	Salcon (Philippines)	ROM	1994	203
18. Mindanao Diesel Power Barges	NPC	Mitsui/BWES (Japan/Denmark)	BTO	1994	200
19. North Harbor Diesel Barges	NPC	Far East Levingston (Singapore)	OL	1994	199904
20. Navotas Harbor Diesel Barge	NPC	Van Der Horst Ltd. (Singapore)	OL	1994	120
21. Engineering Island Power Barge	NPC	Sabah Shipyard SBN Bhd. (Malaysia)	OL	1994	100
22. Bauang La Union Diesel Power Plant	NPC	First Private Power Corp. (Philippines)	BOT	1995	215
23. Malaya Thermal Power Plant 1 & 2	NPC	KEPCO (South Korea)	ROM	1995	650
24. Pagbilao Coal Fired Thermal Power Plant	NPC	Hopewell Ltd. (Hong Kong)	BOT	1996	700
25. Cavite EPZA Diesel Plant	NPC	Magellan Utilities (Philippines)	BOO	1995	43
26. Leyte-Cebu Geothermal Power Plant	PNOC-EDC	California Energy (USA)	BOT	1996	240
27. Mandanao I Geothermal Power Plant	PNOC-EDC	Oxbow/Marubeni (USA/Japan)	BOT	1997	79
Subtotal					4492

Projects Awarded & Under or for Construction

Project Name	Agency	Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Bataan EPZA Diesel Plant					31
2. Bacman Binary Geothermal Power Plant	NPC	Ormat Inc. (USA)	BTO		33
3. Ambuklao Hydro Power Plant	NPC	Miescor (Philippines)	ROL		22
4. Mindanao Coal-Fired Thermal Power Plant	NPC	Harvin/State Investment (China)	BOO	1996-1998	260
5. Leyte-Luzon Geothermal Power Plant (Leyte Geothermal Power Optimization)	PNOC-EDC	Ormat Inc. (USA)	BOT	1995-1998	60
6. Leyte-Luzon Geothermal Power Plant (Malitbog-Mahanagdong, Tongonan	PNOC-EDC	California Energy (USA)	BOT	1993-1997	528
7. Sual Coal-Fired Thermal Power Plant	NPC	Hopewell Ltd (Hong Kong)	BOT	1995-1999	1300
8. Casecnan Multipurpose	NIA	California Energy (USA)	BOT	1996-1999	470
9. Light Rail Transit Line No. 3	DOTC	EDSA LRT Consortium (Philippines)	BLT	1996-1999	600
10. Mindanao II Geothermal Power Plant	PNOC-EDC	Oxbow/Marubeni (USA/Japan)	BOT	1997-1999	72
11. Samal Island Resort Estate Development (7 Sites)	DOT	Ekran Berhad (Malaysia)	BOT	1995-2001	15
12. Metro Manila Skyway (Stage 1)	PNCC	P.T. Citra/PNCC (Indonesia/Philippines)	JV	1997-1999	361
13. Subic Water & Sewerage	SBMA	BiWater/DMCI (Britain/Philippines)	JV	1996-1998	120
14. Zamboanga Diesel Power Plant	NPC	Alsons (Philippines)	BOO	1997-1999	110
15. Pabahay sa Riles	PNR/NHA HUDCC	New San Jose Builders (Philippines)	JV	1996-2000	400
16. Clark Water Supply & Sewerage	CDC	Kemayan/Ciriaco Corporation (Malaysia)	JV	1996-1997	55
17. Manila-Cavite Expressway	PEA	Renong Bhd./PEA (Malaysia/Philippines)	JV	1997-1998	250
18. General Santos Diesel Power Plant	NPC	Alsons (Philippines)	BOO	1997-1998	60
19. Ilijan Natural Gas Power Project	NPC	KEPCO (South Korea)	BOT	1997-2002	1500
20. South Luzon Expressway Extension	DPWH	Stradec (Indonesia)	BTO	1997-2000	73
Subtotal					6320

Projects under Public Bidding

Project Name	Agency	Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Machine Readable Passport/Visa	DFA		BOT	1998-2000	40
2. Civil Registry System	NSO		BTO	1997-1998	20
3. Database Infrastructure and Information Technology System	LTO		BOO	1997-1998	55
4. San Roque Multi-Purpose Project	NPC		BOT	1997-2005	789
5. Tagoloan II Hydro Electric Project	NPC		BOT	1997-2005	106
6. Bulanog-Batang Hydro Electric Project	NPC		BOT	1997-2005	204
7. Pulangi V Hydro Electric Project	NPC		BOT	1997-2004	363
8. Timbaban Hydro Electric Project	NPC		BOT	1997-2000	39
9. Villa Siga Hydro Electric Project	NPC		BOT	1997-2000	37
10. Pugu Hydro Electric Projects	NPC		BOT	1997-2000	106
11. Addalam Hydro Electric Project	NPC		BOT	1997-2000	72
12. Ilaguen Hydro Electric Project	NPC		BOT	1997-2000	133
13. Asiga Hydro Electric Project	NPC		BOT	1997-2000	25
14. Baguio Water Supply	BCWD		JV	1998-2000	104
Subtotal					2093

Projects with Unsolicited Proposals/Price Test/Negotiations

	Project Name	Agency	Proponent	Scheme	Construction Period	Project Cost in US $ Million (Estimated)
1.	NAIA Int't Passenger Terminal	DOTC	PIATCO (Philippines/Germany/Japan)	BOT	1997-2000	440
2.	San Pascual Cogeneration Power Plant	NPC	Texaco/Mission Energy (USA)	BOO	1997-2001	400
3.	Caliraya-Botocan-Kalayaan Power	NPC	IMPSA (Argentina)	BROT	1997-2001	300
4.	Manila-Subic/Clark North Luzon Expressway	DPWH/ TRB	FPIDC/PNCC (Philippines)	JV	1996-2000	480
5.	Manila Grains Terminal	PPA	ICTSI/Zuellig (Philippines)	BOO	1997-1999	90
6.	Mananga II Water Supply	MCWD	Johan Holding/G. Kent (Malaysia)	BT & BOT	1997-1999	160
7.	Bulacan Bulk Central Water Supply I	LWUA	Penta Capital Investment Corporation (Philippines)	BOT	1996-1998	50
8.	Puerto Princesa Water Supply	PPCWD	Pacific Rim Utilities (Philippines/Germany)	BOT		16
9.	Batangas Water Supply	Batangas Province	H. Lawson Associates (USA)	BOT		306
10.	Metro Manila Expresseay R4 & R5 (Pasig Expressway)	DPWH	Marubeni/Stradec/Kumagai Gumi PNCC (Japan/Philippines)	BOT	1997-2000	730
11.	Manila Clark/Rapid Railway	PNR	CAF/BCDA (Spain/Philippines)	JV		2000
12.	Light Rail Transit Line No. 4	DOTC	Bouyges/Systra/Ayala (France/Philippines)	BTO	1997-1999	690
13.	Thermal Coating and Printing Plant	PCSO	Mark Sensing Australia Pty. Ltd.	BOT	1997-1998	9
14.	Metro Manila Solid Waste	MMDA	Jancom International Development (Philippines). First International W-E Mgrs. Inc. (Philippines)	BOT	1996-1998	270
15.	San Pablo Water Supply	SPCWD	Water and Wastewater Philippines (Philippines/British)	BOT		50
16.	Express Commuter Rail (MCX)	DOTC/PNR	Ayala Land Inc. (Philippines)	BT & BOO	1998-2000	500
17.	Bureau of Immigration Building/Condotel	BI	Jung Woong Corporation (South Korea)	BT & DOT	1998-2000	38
	Subtotal					

Projects under Preparation and for Public Bidding in 1997

Project Name	Agency	Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Metro Manila Expressway R-7	DPWH		BOT		110
2. Motor Vehicle License Plate Plant	LTO		BOO		12
3. Motor Vehicle Inspection and Smoke Emission System	LTO		BOO		60
4. Motor Vehicle Titling System	LTO		BOO		5
5. Modern Drivers' License System	LTO		BOO		8
6. Drivers' Training Center	LTO		BOO		30
7. Air Cargo Terminal & Cold Storage Facilities for General Santos City Airport	DOTC		BOT		2
8. Land Titling Computerization Project	LRA		BOT		82
9. Palace in the Sky	DOT		ROT		5
Subtotal					314

Appendix G

SHORT LIST OF LGU BOT PROJECTS

	Project Name/Sector/Description	Project Site/Implementing Agency	Estimated Cost	Remarks/Status
A.	**Completed:**			
1.	Mandaluyong Marketplace (Property Development/PM-Commercial Center)	Mandaluyong City/City Government	Ps 600 M	Completed
B.	**Projects Awarded/Under Negotiation:**			
1.	Metro Manila Solid Waste Management Project (Environmental/Solid Waste)	Carmona, Cavite/San Mateo, Rizal Metro Manila Development Authority	$ 109 M/ $ 161 M	Under negotiation (power purchase agreement, tipping fee, site)
C.	**Project Under Development:***			
1.	Metro Cebu Water Supply Project - Phase II (Environmental/Water)	Cebu City/Water District	Ps 4.675 B	Unsolicited Proposal for ICC-TB deliberation. Draft concession agreement for discussion with proponent
2.	Bocaue Public Market/Commercial Center (Property Development/PM/Commercial Complex)	Bocaue, Bulacan/Municipal Government	Ps 200 M	Under bidding process (Bid Proposal of prequalified bidders under evaluation by PBAC)
3.	Dapitan Public Market (Property Development/Public Market)	Dapitan, Quezon City/City Government	Ps 50 M	Ground breaking held in May. Construction to commence by June.
4.	Waste Recycling Plant (Environmental/Solid Waste)	Payatas, Quezon City/City Government	$ 106 M	Unsolicited Proposal under evaluation by ICC
5.	Binirayan Administrative/Commercial Complex (Property Development/Adm.cum Commercial Center)	Binirayan, Antique/Provincial Government	Ps 143 M	Under bidding process (Bid Proposals under evaluation by PBAC)
6.	Pateros Commercial Center (Property Development/Commercial Center)	Pateros, Metro Manila/Municipal Government	Ps 25 M	Pre-qualification of Bidders undertaken. Preparation of bid/ tender documents by LGU PBAC.
7.	Bacolod City Slaughterhouse (Property Development/SH)	Bacolod City/City Government	Ps 50 M	Advertisement for Pre-qualification of bidders by mid-July.
8.	Puerto Princesa Water Supply Expansion Project (Environmental/Water)	Puerto Princesa City/ City Government	$ 27 M	Revised unsolicited proposal by Lurgi Bamag for approval by Water District & City government.
9.	Expansion/improvement of San Pablo City Water Supply and Wastewater Management System (Phase III) (Environmental/Water)	San Pablo City/Water District	$ 45 M	Unsolicited proposal under evaluation by Water District
10.	Bulacan Central Bulk Water Supply (Environmental/Water)	Bulacan/Local Water and Utilities Administration	$ 52 M	Unsolicited proposal (Penta-Capital Investment secured first pass ICC-TB approval)
11.	Bacolod City PM/Commercial Complex (Property Dev't/PM/Commercial Complex)	Bacolod City/City Government	Ps 750 M	Unsolicited proposal (proponent still has to submit complete proposal)
12.	Balanga Integrated Mini-bus and Jeepney Terminal (Property Dev't./Transport Terminal)	Balanga, Bataan/Provincial Government	Ps 41.83 M	Pre-fs completed, Approved by the Provincial Development Council/Sanggunian* identification/purchase of site on-going

	Project Name/Sector/Description	Project Site/Implementing Agency	Estimated Cost	Remarks/Status
13.	Batangas City Solid Waste Management (Environmental/Solid Waste)	Batangas City/City Government	$ 4 M	Conceptual plan/report completed. For approval of city government.
14.	Capiz Hydro-Power and Water Supply Project (Environmental/Water & Energy)	Panay River, Capiz/Provincial Government	$ 60 M	Project study completed for bidding
15.	Metro Roxas Water Supply Project (Environmental/Water)	Roxas City/Metro Roxas Water District	Ps 600 M	Pre-qualification of bidders. Advertisement of invitation for pre-qualification on-going
D.	Other Potential Projects Short listed:			
1.	Bataan Administrative/Civic Center (Property Development/Admin. Center)	Balanga, Bataan/Provincial Government	Ps 61.276 M	Pre-feasibility study completed for approval of local Sanggunian & RDC
2.	Cavite Water Supply/Wastewater Treatment (Environmental/Water/WW)	Cavite/Provincial Government	$ 500 M	Feasibility Study under preparation by OMI under TDA grant. Implementation scheme not defined yet.
3.	Pasay Libertad Public Market (Property Development/Public Market cum Commercial Center)	Pasay City/ City Government	Ps 1.72 B	Proponent to submit completed proposal
4.	Batangas Water Supply Project (Environmental/Water)	Batangas/Provincial Government	$ 306 M	Unsolicited proposal by H. Lawson Associates under evaluation by provincial government
5.	Iloilo City Central Public Market/Commercial Complex (Property Development/Commercial Complex)	Iloilo City/City Government	Ps 720 M	With unsolicited proposal. Proponent to submit completed proposal.
6.	Illoilo City Solid Waste Management (Environmental/Sanitary Landfill)	Iloilo City/ City Government	$ 5 M	Preliminary Technical and Engineering study to be undertaken by the City Government
7.	GSC Public Market/Commercial Center (Property Development/PM/CC)	General Santos City/City Government	Ps 147 M	Conceptual stage-unsolicited. Proponent still to submit complete proposal.
8.	Butuan City Solid Waste Management (Environmental/Solid Waste)	Butuan City/City Government	Ps 97.5 M	Feasibility study completed.

* Projects listed still subject to further review and validation.

Appendix H

LIST OF TRAINING SEMINARS

BOT Course	Location	Date	No. of Participants
Public-Private Partnership			
	Cagayan de Oro City	May 27-28, 1993	58
	General Santos City	June 29-30, 1993	69
	Cebu City	August 4-5, 1997	59
Department of Trade and Industry	Makati	Sept. 24, 1993	20
Office of Special Concerns Staff			
	Iloilo City	Oct. 14-15, 1993	64
Dept. of Interior & Local Govt.	Angeles City,Pampanga	Nov. 23, 1993	20
	San Fernando, Pampanga	Nov. 3-4, 1993	49
Consultative Workshop	Century Park Sheraton, Manila	Nov. 16-17, 1993	72
Consultation Meeting with Private Sector	Hotel Intercontinental, Makati	Nov. 25, 1993	22
Calabarzon Seminar	Century Park Sheraton, Manila	Jan. 12-13, 1994	80
NEDA Seminar	Communication Foundation for Asia, Sta. Mesa, Manila	Jan. 19-21, 1994	53
NDC Seminar	Makati	Feb. 2-3, 1994	36
NWLGQ Seminar	Club John Hay, Baguio City	Feb. 8-9, 1994	64
Project Appraisal and Finance Seminar	Holiday Inn, Roxas Blvd. Manila	Feb. 21-24, 1994	59
Philippine Association of State Universities and Colleges	Holiday Inn, Roxas Blvd Manila	March 11, 1994	87
Western Mindanao	Zamboanga City	March 22-23, 1994	40
Region XI	Davao City	April 5-6, 1994	50
IIE Seminar	Meralco Foundation Institute Pasig, Metro Manila	April 11-22, 1994	63
Capitol Building	Lingayen, Pangasinan	April 20, 1994	52
Metropolitan Waterworks and Sewerage System Seminar	Quezon City	May 5, 1994	21
Philippine Chamber of Commerce and Industry	Hyatt Regency Hotel, Pasay City	May 11-12, 1994	50
Region VIII	Palo, Leyte	May 19-20, 1994	61
Integrated Bar of the Philippines	Hyatt Regency Hotel, Pasay City	June 3, 1994	32
Bicol Region	Legazpi City	June 8-9, 1994	40
Metro Manila Authority	Shangri-La EDSA Hotel	June 10, 1994	25
Philippine Contractors Association	Holiday Inn, Roxas Blvd. Manila	June 15-16, 1994	34
Philippine Congress	Batasang Pambansa Quezon City	July 11, 1994	65
Region II	Tuguegarao, Cagayan	July 20-21, 1994	46
GFI Seminar	Mandarin Oriental Hotel, Makati	August 24, 1994	68
Senate	Army & Navy Club, Manila	Sept. 26, 1994	33
Phil. Constructors Association, Inc.	Hotel Nikko Manila Garden Makati	Nov. 4, 1994	49
Angeles City Planning & Devt. Office/Private Sector	Angeles City, Pampanga	Nov. 17, 1994	20
PIO Seminar	Hyatt Regency Hotel, Pasay City	Nov. 25, 1994	44
ADVANCED PROGRAM DEVELOPMENT AND EVALUATION I	Hyatt Regency Hotel, Pasay City	Dec. 7-9, 1994	63
ADVANCED PROGRAM DEVELOPMENT AND EVALUATION II	Hyatt Regency Hotel, Pasay City	Feb. 1-3, 1995	82

BOT Course	Location	Date	No. of Participants
COMMISSION ON AUDIT SEMINAR	Quezon City	February 20, 1995	64
ADVANCED PROGRAM DEVELOPMENT AND EVALUATION III	Manila Galleria Suites, Pasig Grand Boulevard Hotel, Manila	March 9-10, 1995 March 13-15, 1995	102
BUTUAN CITY SEMINAR	Butuan City Regional Museum Butuan City	March 16-17, 1995	48
BOT PROJECT DEVELOPMENT TRAINING FOR LOCAL GOVERNMENT UNITS	Cebu City	March 28-29, 1995	46
	Iloilo City	April 19-20, 1995	46
	Legazpi City	May 17-18, 1995	35
	Baguio City	June 7-8, 1995	53
	Cagayan de Oro City	June 28-29, 1995	45
	Davao City	July 24-25, 995	54
	General Santos City	July 27-18, 1995	63
	Manila	Sept. 6-7, 1995	112
	Clark Air Base, Pampanga	Sept. 27-28, 1997	35
	Cotabato City	Oct. 25-26, 1995	99
PIO QUARTERLY MEETING	Hyatt Regency Hotel, Pasay City	May 24, 1995	28
ADVANCED PROJECT DEVELOPMENT AND EVALUATION IV	Century Park Sheraton, Manila	May 29-31, 1995	71
ADVANCED PROJECT DEVELOPMENT AND EVALUATION V	Century Park Sheraton, Manila	Aug. 1-4 & 7, 1995	63
ADVANCED PROJECT DEVELOPMENT AND EVALUATION VI (Water Seminar)	Hyatt Regency Hotel, Pasay City	Sept. 14, 1995	90
ADVANCED PROJECT DEVELOPMENT AND EVALUATION (Solid Waste Seminar)	Hyatt Regency Hotel, Pasay City	Sept. 15, 1995	64
ADVANCED PROJECT DEVELOPMENT AND EVALUATION VII	Heritage Hotel, Pasay City Manila Hotel, Manila	Oct. 17-19, 1995	73
ADVANCED MANAGEMENT PROGRAM IN ENVIRONMENTAL INFRASTRUCTURE MODULE I			
Project Screening & Prioritization			
LUZON	Manila	May 22-24, 1996	53
MINDANAO	Davao City	May 29-31, 1996	55
VISAYAS	Cebu City	June 26-28, 1996	41
ADVANCED MANAGEMENT PROGRAM IN ENVIRONMENTAL INFRASTRUCTURE MODULE II			
Project Preparation & Appraisal			
LUZON	Manila	July 30-Aug 2, 1996	67
MINDANAO	Cagayan de Oro City	August 14-16, 1996	57

BOT Course	Location	Date	No. of Participants
VISAYAS MOD MODULE III Bid Preparation, Evaluation & Contract Negotiation	Cebu City	August 28-30, 1996	42
LUZON	Manila	Oct. 2-4, 1996	57
MINDANAO	Davao City	Oct. 9-11, 1996	53
VISAYAS	Bohol	Oct. 22-25, 1996	49
MODULE IV Project Implementation and Management			
LUZON	Manila	Feb. 11-12, 1997	82
VISAYAS	Cebu City	March 5-6, 1997	49
MINDANAO	Davao City	March 12-13, 1997	59
PROGRAM IN BOT PROJECT APPRAISAL AND PACKAGING FOR NEDA	Philippine Center for Economic Development (PCED) Hostel UP Diliman, Quezon City	Sept. 16-18, 1996	57
BOT TRAINING FOR THE DEPARTMENT OF TRADE & INDUSTRY QUEZON PROVINCE	Quezon Province	Oct. 17, 1996	40
NEDA/CAR FOR THE BLIST AREA TASK FORCE	Baguio City	Dec. 13-14, 1996	40
BOT TRAINING FOR THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES-ENVIRONMENTAL MANAGEMENT BUREAU REGIONAL WORKING GROUP	Manila	Dec. 16-17, 1996	30
BOT TRAINING FOR DTI-ARMM	Cotabato City, Mindanao	Dec. 17, 1996	30
SEMINAR ON THE AVOIDED COST METHODOLOGY	Philippine Plaza Hotel Manila	Feb. 18-21, 1997	25
REGIONAL SEMINAR SERIES ON LGU FINANCING	Angeles City, Pampanga Baguio City, Benguet Tacloban City, Leyte	March 20, 1997 April 21, 1997 May 19, 1997	133 330 230
SUMMER INTERNSHIP PROGRAM	Ateneo de Manila University St. Scholastica's College U.P. Manila	April to May	8
BOT TRAINING FOR WATER DISTRICTS	Davao City	June 16-20, 1997	43
BOT TRAINING FOR GEM	Davao City	June 25-27, 1997	20

Appendix I

ADVANCED MANAGEMENT TRAINING SEMINARS

Office of the President
Coordinating Council of the Philippine Assistance Program
BOT Center

ADVANCED MANAGEMENT PROGRAM III (AMP III) IN ENVIRONMENTAL INFRASTRUCTURE

SEMINAR EVALUATION

The purpose of this evaluation is to determine how effective the AMP Seminar has been in meeting its goals and objectives.

The evaluation is divided into three (3) sections. Part I seeks to evaluate the relevance of topics presented during the Seminar. Part II is geared to assess the effectiveness of the presentation in terms of clarity and focus as well as the presentation skill of the speakers. Finally, Part III elicits understanding of specific concepts, tools and issues discussed during the Seminar. It is also intended to solicit any additional comments or recommendations which will serve as input for designing the succeeding AMP Seminars.

We value your opinion so please take time to fill up this form seriously.

Part I: Assessment of AMP III Topics

Instruction: Please use the following scale in rating the AMP III Topics: 5 - Excellent; 4 - Very Satisfactory; 3 - Satisfactory; 2 - Fair; and 1 - Unsatisfactory.

Topic	*A. Amount of knowledge acquired on specific topic*	*B. Usefulness of specific topic to your agency's mandate/ role*	*C. Relevance of materials / handouts given*	*D. Effectiveness of methodology used (lecture, exercise, demo, etc.)*
1. Overview of the Bidding Process	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
2. Preparation of Prequalification and Bid Documents	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
3. Concession Agreements	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
3. Overview of the Unsolicited Proposal	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
4. Due Diligence Guidelines for Unsolicited Proposals	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
6. Negotiation Skills	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
5. Case on Contract Negotiation	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
8. Negotiation Simulation	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1

Part II: Assessment of Seminar Presentation and Speaker

Instruction: Please rate each item by encircling the appropriate number with 5 representing the highest rating and 1 as the lowest.

Presentation	*A. Subject Mastery*	*B. Presentation Skills*	*C. Ability to Answer Questions Well*	*D. Rapport with Participants*
1. Overview of the Bidding Process	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
2. Preparation of Prequalification and Bid Documents	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
3. Concession Agreements	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
4. Overview of the Unsolicited Proposal	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
5. Due Diligence Guidelines for Unsolicited Proposals	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
6. Negotiation Skills	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
7. Case on Contract Negotiation	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1
8. Negotiation Simulation	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1	5 4 3 2 1

Part III. Assessment of Understanding of Specific Issues/Concepts/Tools

Instruction: Rank your level of understanding on the following issues/concepts/tools of analysis regarding the BOT scheme by encircling the appropriate number with 5 representing the highest level of understanding and 1 as the lowest.

Below each statement, please indicate what additional information/assistance you will need to enable you to effectively use these concepts and tools in your actual job.

1. I understand the basic requirements in the preparation of bid terms of reference including concession agreement, prequalification requirements and bid evaluation criteria. 5 4 3 2 1

_____

_____

2. I understand the basic foundation and elements of draft concession agreements. 5 4 3 2 1

_____

_____

3. I understand the significant business and legal issues in preparation for the for the negotiation of unsolicited BOT project proposals. 5 4 3 2 1

_____

_____

4. I have become familiar with the negotiation techniques through the simulation and case studies. 5 4 3 2 1

_____

_____

OTHER COMMENTS/RECOMMENDATIONS

_____

_____

_____

_____

_____

_____

_____

Office of the President
Coordinating Council of the Philippine Assistance Program
BOT Center

ADVANCED MANAGEMENT PROGRAM (AMP III) IN ENVIRONMENTAL INFRASTRUCTURE III: BID PREPARATION AND EVALUATION AND CONTRACT NEGOTIATION

Bohol Tropics Resort Club
Graham Avenue, Tagbilaran City
October 23-25, 1996

Program Objectives and Schedule

Program Objectives:

1. To strengthen the capability of the implementing agencies/local government units in the preparation of the bid terms of reference including the concession agreement, prequalification requirements and bid evaluation criteria;

2. To produce draft concession agreements;

3. To review significant business and legal issues in preparation for the negotiation of unsolicited BOT project proposals;

4. To organize the negotiating team and practice effective negotiating techniques through simulation and case studies.

Program Schedule:

Wednesday, 23 October 1996

8:30 AM Registration
9:00 AM Opening Ceremonies
- National Anthem
- Invocation
- Opening Remarks:
  - Mr. Jorge M. Briones, Deputy Executive Director, BOT Center
- Keynote Address:
  - Hon. Rene L. Relampagos, Governor, Province of Bohol

9:15 AM Overview of the Bidding Process
10:30 AM Coffee Break
10:45 AM Preparation of Prequalification and Bid Documents
12:30 PM Lunch Break
1:30 PM Concession Agreements
3:30 PM Coffee Break
3:45 PM Exercise on Preparation of Concession Agreements
7:00 PM Dinner

Thursday, 24 October 1996

8:30 AM	Registration
9:00 AM	Overview of the Unsolicited Process
10:00 AM	Coffee Break
10:15 AM	Due Diligence Guidelines for Unsolicited Proposals
11:15 AM	Negotiation Skills
12:00 Noon	Lunch Break
1:00 PM	Negotiation Exercise
2:30 PM	Coffee Break
2:45 PM	Case on Contract Negotiation
3:30 PM	Exercise II on Strategizing/Formulating Negotiating Position
5:00 PM	END OF SESSION

Friday, 25 October 1996

8:30 AM	Registration
9:00 AM	Negotiation Simulation
10:00 AM	Preparation of Presentation Materials
10:30 AM	Coffee Break
10:45 AM	Presentation of Selected Groups
11:15 AM	Debrief/Back home assignment/Evaluation
12:00 Noon	Closing/Lunch

VISAYAS SEMINAR

Part I. Assessment of AMP III Topics

Topic	A. Amount of knowledge acquired on specific topic	B. Usefulness of specific topic to your agency's responsibilities	C. Relevance of seminar materials given	D. Effectiveness of methodology used (lecture, exercises, etc.)	**GENERAL AVERAGE**
1. Overview of the Bidding Process	4.13	3.90	4.03	3.84	3.98
2. Preparation of Prequalification and Bid Documents	4.17	3.93	3.97	3.93	4.00
3. Concession Agreements	4.10	3.97	4.20	4.10	4.09
4. Overview of the Unsolicited Process	4.10	3.84	4.05	4.00	4.00
5. Due Diligence Guidelines for Unsolicited Proposals	3.93	3.62	3.90	3.76	3.80
6. Negotiation Skills	4.10	3.97	4.13	4.07	4.07
7. Case on Contract Negotiation	4.06	3.84	3.97	4.03	3.98
8. Negotiation Simulation	4.10	4.04	4.23	4.19	4.14
GENERAL AVERAGE	4.09	3.89	4.06	3.99	4.01

Part II. Assessment of Seminar Presentation and Speaker

Topic	A. Subject Mastery	B. Presentation Skills	C. Ability to Answer Questions Well	D. Rapport with Participants	**GENERAL AVERAGE**
1. Overview of the Bidding Process	4.03	3.90	3.90	3.52	3.84
2. Preparation of Prequalification and Bid Documents	3.90	3.84	3.94	3.65	3.83
3. Concession Agreements	4.16	4.10	4.16	4.10	4.13
4. Overview of the Unsolicited Process	4.08	4.03	4.06	3.92	4.02
5. Due Diligence Guidelines for Unsolicited Proposals	4.10	3.90	3.87	3.63	3.88
6. Negotiation Skills	4.14	4.07	4.10	3.83	4.04
7. Case on Contract Negotiation	4.16	4.00	4.03	3.97	4.04
8. Negotiation Simulation	4.16	4.16	4.10	3.90	4.08
GENERAL AVERAGE	4.09	4.00	4.02	3.82	3.98

Part III. Assessment of Understanding of Specific Issues/Concepts/Tools

	% of Strongly Agree (5) and Agree (4)	**Overall Average**
1. Understand the basic requirements in the preparation of bid terms of reference including concession agreement, prequalification requirements and bid evaluation criteria.	90.32	4.06
2. Understand the basic foundation and elements of draft concession agreements.	87.10	4.03
3. Understand the significant business and legal issues in preparation for the negotiation of unsolicited BOT project proposals.	77.42	4.00
4. Become familiar with the negotiation techniques through the simulation and case studies.	77.42	4.00
AVERAGE	**83.07**	**4.02**

U.S. INVESTMENTS IN PHILIPPINE BOT PROJECTS

Completed Projects

Project Name	Agency	U.S. Proponent	Scheme	Commercial Operation	Project Cost in U.S. $ Million (Estimated)*
1. Subic Zambales Diesel Power Plant I	NC	Enron Power Corp.	ROL	1993	28
2. Pinamucan, Batangas Diesel Power Plant	NPC	Enron Power Corp	BOT	1993	105
3. Makban Binary Geo. Plant	NPC	Ormat Inc.	BTO	1994	16
4. Subic Zambales Diesel Plant	NPC	Enron Power Corp.	BOT	1994	108
5. Naga Thermal Plant Complex	NPC	Black and Veach Inter. (Equipment only)	ROM	1994	203
6. Pagbilao Coal Fired Thermal Power Plant	NPC	Black and Veach Inter. (Equipment only)	BOT	1996	700
7. Navotas Gas Turbine 1-3	NPC	Tri-state Corp. (Equipment only)	BOT	1991	210
8. Leyte-Cebu Geothermal Power Plant	PNOC-EDC	California Energy	BOT	1996	240
9. Mindanao Geothermal Power Plant	PNOC-EDC	Oxbow/Marubeni	BOT	1997	79
Subtotal					1689

* Investment amounts estimated by Implementing Agency as of June 1997.

Projects Awarded and under or for Construction

Project Name	Agency	U.S. Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Bacman Binary Geothermal Power Plant	NPC	Ormat Inc.	BTO		33
2. Leyte-Luzon Geothermal Power Plan Leyte Geothermal Power Optimization)	PNOC-EDC	Ormat Inc.	BOT	1995 -1980	60
3. Leyte-Luzon Geothermal Power Plant (Malitbog-Mahanagdong, Tongonan)	PNOC-EDC	California Energy	BOT	1993-1997	528
4. Casecnan Multipurpose	NIA	California Energy Peter Klewitt (Equipment only)	BOT	1996-1999	470
5. Mindanao II Geothermal Power Plant	PNOC-EDC	Oxbow	BOT	1997-1999	72
Subtotal					1163

Projects under Public Bidding

Project Name	Agency	U.S. Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Machine Readable Passport/Visa	DFA		BOT	1998 - 2000	40
2. Civil Registry System	NSO		BTO	1997 - 1998	20
3. Database Infrastructure and Information Technology System	LTO		BOO	1997 - 1998	55
4. San Roque Multi-Purpose Project	NPC		BOT	1997 - 2005	789
5. Tagoloan II Hydro Electric Project	NPC		BOT	1997 - 2005	106
6. Bulanog-Batang Hydro Electric Project	NPC		BOT	1997 - 2005	204
7. Pulangi V Hydro Electric Project	NPC		BOT	1997 - 2004	363
8. Timbaban Hydro Electric Project	NPC		BOT	1997 - 2000	39
9. Villa Siga Hydro Electric Project	NPC		BOT	1997 - 2000	37
10. Pugu Hydro Electric Projects	NPC		BOT	1997 - 2000	106
11. Addalam Hydro Electric Project	NPC		BOT	1997 - 2000	72
12. Ilaguen Hydro Electric Project	NPC		BOT	1997 - 2000	133
13. Asiga Hydro Electric Project	NPC		BOT	1997 - 2000	25
14. Baguio Water Supply	BCWD		JV	1997 - 2000	104
Subtotal					2093

Projects with Unsolicited Proposal/Price Test/Negotiation

Project Name	Agency	U.S. Proponent	Scheme	Construction Period	Project Cost in US $Million (Estimated)*
1. NAIA Int'l Passenger Terminal	DOTC		BOT	1997-2000	440
2. San Pascual Cogeneration Power Plant	NPC	Texaco/Mission Energy	BOO	1997-2001	400
3. Caliraya-Botocan-Kalayaan Power	NPC		BROT	1997-2001	300
4. Manila-Subic/Clark North Luzon Expressway	DPWH/TRB		JV	1996-2000	480
5. Manila Grains Terminal	PPA		BOO	1997-1999	90
6. Mananga II Water Supply	MCWD		BT & BOT	1997-1999	160
7. Bulacan Buck Central Water Supply I	LWUA		BOT	1996-1998	50
8. Puerto Princesa Water Supply	PPCWD		BOT		16
9. Batangas Water Supply	Batangas Province	H. Lawson Associates	BOT		306
10. Metro Manila Expressway R4 & R5 (Pasig Expressway)	DPWH		BOT	1997-2000	730
11. Manila Clark/Rapid Railway	PNR		JV		2000
12. Light Rail Transit Line No. 4	DOTC		BTO	1997-1999	690
13. Thermal Coating and Printing Plant	PCSO		BOT	1997-1998	9
14. Metro Manila Solid Waste	MMDA		BOT	1996-1998	270
15. San Pablo Water Supply	SPCWD		BOT		50
16. Express Commuter Rail (MCX)	DOTC/PNR		BT & BOO	1998-2000	500
17. Bureau of Immigration Building Condotel	BI		BT & DOT	1998-2000	38
Subtotal					6529

Projects under Preparation and for Public Bidding in 1997

Project Name	Agency	U.S. Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Metro Manila Expressway R-7	DPWH		BOT		110
2. Motor Vehicle License Plate Plant	LTO		BOO		12
3. Motor Vehicle Inspection and Smoke Emission System	LTO		BOO		60
4. Motor Vehicle Titling System	LTO		BOO		5
5. Modern Drivers' License System	LTO		BOO		8
6. Drivers' Training Center	LTO		BOO		30
7. Air Cargo Terminal & Cold Storage Facilities for General Santos City Airport	DOTC		BOT		2
8. Land Titling Computerization Project	LRA		BOT		82
9. Palace in the Sky	DOT		ROT		5
Subtotal					314

LGU Projects Completed

Project Name	Agency	U.S. Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. Mandaluyong Marketplace	Mandaluyong City				20
2. Minglanilla, Cebu Public Market	Minglanilla Municipality				2
3. Subic Water and Sewerage	Subic Bay Authority				120
4. Clark Water Supply and Sewerage	Clark Development Corp.				55
Sub-Total					197

LGU Projects in the Pipeline

Project Name	Agency	U.S. Proponent	Scheme	Construction Period	Project Cost in U.S. $ Million (Estimated)*
1. LagunaSolidWaste Conversion Facility	Laguna Province	Allied Bioremediation Corp. (unsolicited)			96
2. Bulacan Biomass Power Project	Bulacan Province	Cypress Energy (unsolicited)			70
3. Quezon City Waste Recycling Plant	Quezon City				106
4. Dapitan, Quezon City Public Market	Quezon City				2
5. Bocaue, Bulacan Public Market	Bocaue Municipality				7
6. Cavite Water Supply Project	Cavite Province	OMI (unsolicited)			500
7. Batangas City Solid Waste Management Project	Batangas City				4
8. General Santos City Airport Cargo Handling and Cold Storage	Gen. Santos City				2
9. General Santos City Slaughterhouse	Gen. Santos City				6
10. Iloilo City Public Market and Bus Terminal	Iloilo City				2
11. Binirayan, Antique Administrative Center	Antique Province				5
12. Bacolod City Slaughterhouse	Bacolod City				2
13. Bacolod City Public Market and Commercial Center	Bacolod City				28
14. Pateros, Rizal Commercia Center	Pateros Municipality				1
Sub-Total					831